Austria Sch22	Indonesia Rp3100	Philippines Peso40
Bahrain Din0.650	Iran Rls150	Portugal Esc120
Belgium BFr48	Israel NIS3.50	S.Arabia Rls7.00
Canada C$1.00	Italy L1700	Singapore S$4.10
Cyprus C£0.90	Japan Y500	Spain Pta145
Denmark DKr10.00	Jordan Fils500	Sri Lanka Rup30
Egypt E£2.25	Kuwait Fils500	Sweden SKr9.00
Finland Fmk7.00	Lebanon L£250.00	Switz SFr2.30
France FFr7.00	Lux LFr48	Taiwan NT$65
Germany DM2.30	Malaysia Rm4.25	Thailand Bt50
Greece Dr120	Mexico Pes300	Tunisia Din0.800
Hong Kong HK$12	Morocco Dh6.00	Turkey L600
Iceland Ikr125	Neth Fl3.00	UAE Dh6.50
India Rs15	Norway Nkr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,718 Tuesday December 13 1988 D 8523 A

هكذا من الأصل

BURMA
Euphoria dims in light of reality
Page 24

World News

Mexico in mourning as fireworks toll rises to 70

An explosion at an illegal fireworks store killed 70 people in Mexico city, many of them children. The deaths turned Mexico's Roman Catholic holiday, the Day of the Virgin of Guadalupe, into a day of mourning. Investigators continued to search charred debris for bodies after the fire.

Military flight ban
Air forces of West Germany, the US, Britain and Canada suspended fighter aircraft training in West Germany over Christmas as a mark of respect following a series of deaths in military crashes. Background Page 3

Labour-Likud talks
The Israeli Labour Party and the Likud Party renewed negotiations on forming a joint government. A point of conflict involves right-wing plans to build 40 Jewish settlements in the occupied territories.

West Bank unrest
Israeli riot police chased stone-throwing Palestinian schoolgirls into a sacred mosque complex in Arab east Jerusalem and fired tear gas.

Yugoslav appeals
A two-day Communist Party plenum opened in Belgrade with appeals for urgent market-oriented reforms to resolve Yugoslavia's economic crisis.

Khan elected
Mr Ghulam Ishaq Khan, who took over when President Zia ul-Haq was killed in an air crash, was elected President of Pakistan. Page 4

Aquino land transfer
Philippine President Corazon Aquino distributed 25,000 hectares of land to farmers in the "biggest land transfer" since she launched an agrarian reform programme last year.

N Korean premier
North Korea's premier Li Gun Mo, relieved of his post for health reasons, was replaced by Yon Hyongmuk, a Politburo member and Korean Workers' Party Secretary. Page 4

Lima to meet miners
Representatives of the Peruvian Government and leaders of the Miners' Federation are to meet today, raising hopes for an end to the 58-day miners' strike. Page 6

Socialist poll losses
France's Socialist Government, suffering a wave of public sector strikes, has taken a further battering from the party's poor performance in three by-elections. Page 2

Sri Lankan warning
Anti-government militants in Sri Lanka ordered newspapers to print nothing about next week's presidential vote, saying the Government cannot hold fair elections. Page 4

Beirut crossing open
The Museum Crossing, the only gateway between Beirut's Moslem and Christian sectors, reopened and traffic flow resumed. Hostage threatened, Page 4

Cold snap kills 2
New York police reported at least two people, presumed homeless, found dead in the open after a weekend of bitterly cold weather swept the eastern United States pushing city temperatures down to -24 °C.

Business Summary

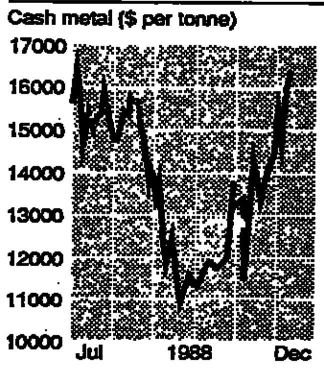
Pillsbury shuns higher offer from GrandMet

PILLSBURY, US food group, rejected an improved offer of $63 a share from Grand Metropolitan as both parties appeared in a US court for hearings on the Pillsbury poison pill, probably its last line of defence against takeover by the UK food and drinks group. Page 25

JAPAN said that its trade surplus last month was Y795bn ($6.5bn), 37 per cent higher than in November last year as the resurgence of exports gathered pace. Page 4

NICKEL: Reports of rising demand from West European steel mills and a fall of 498 tonnes in London Metal

Nickel
Cash metal ($ per tonne)



Exchange (LME) wharehouse stocks pushed the LME cash price up $550 to $16,475 a tonne. Commodities, Page 40

EUROPEAN COMMUNITY signed a new four-year trade accord giving Chinese textile exports better access to the community market. Page 6

PENNWALT, Philadelphia chemicals group, saw its stock rise sharply on Wall Street with the announcement of a $765m takeover bid from a group of New York investors. Page 26

SIEMENS and AEG, two of West Germany's largest electrical groups, are exploring the possibility of joint ventures in transformers and large electrical switching equipment. Page 27

TRELLEBORG, Swedish industrial group with interests in rubber, plastics, mining and chemicals, is to sell its 10.5 per cent stake in SKF, the world's leading roller bearing manufacturer, to Patricia, an investment company controlled by the Wallenberg family. Page 27

NATIONAL COMPANIES and Securities Commission (NCSC), Australia's stock market watchdog, announced that a Japanese developer and an Australian company in which Mr Kerry Packer has an interest have been accused of unacceptable conduct in relation to a purchase of shares from Mr Larry Adler's FAI Insurances. Page 27

COLOROLL GROUP, UK home furnishings company, has all but severed its involvement in Crowther McCall Pattern, financially troubled 50 per cent-owned associate of the John Crowther Textile group, bought after a bitterly contested takeover bid. Page 32

SOUTH Africa's Reserve Bank forecast fairly substantial current account surpluses and satisfactory economic growth for next year. Page 4

COURTAULDS' International Paint subsidiary is to pay NZ$25m (£8m) for the purchase of Epiglass Paints from Steel & Tube Holdings of New Zealand, subject to approval by the New Zealand government. Page 34

COMPAGNIE FINANCIERE De Suez, French privatised financial group, expects to report consolidated net group profits of between FFr 2.2bn ($20.2m) and FFr 2.5bn this year compared with net profits of FFr 2.1bn last year.

Faulty signal may have caused London rail disaster

A FAULTY signal is believed to have caused a rail crash just outside London yesterday morning in which at least 36 people were killed and 144 hospitalised, writes Kevin Brown, Transport Correspondent, in London.

After visiting the scene, Mr Paul Channon, UK Transport Secretary, told the House of Commons there would be an independent public inquiry into the "appalling tragedy."

British Rail also announced that Mr Maurice Holmes, its director of safety, would begin a full internal inquiry on Wednesday.

The accident happened at 8.13am a quarter of a mile outside Clapham Junction, the UK's busiest railway junction, which handles more than 2,200 trains a day.

Three major railway corridors meet there – with trains to Waterloo arriving from major centres of population such as Portsmouth and Poole, and trains to Victoria arriving from Brighton and other south coast towns.

The 06.30 train from Bournemouth ploughed into the back of the 07.18 from Basingstoke, which had halted in a cutting on the fast main line. Seconds later, an empty train from Waterloo to Haslemere hit wreckage scattered on the fast line out of London. The guard from the empty train flagged down a fourth train, which stopped safely.

British Rail said that it accepted full responsibility for the accident and promised that claims for compensation would be dealt with "sympathetically and as quickly as possible."

The corporation said a preliminary investigation "indicated that the probable cause of the accident was a technical fault in signalling equipment."

The preliminary investigation is understood to have indicated that the fault developed as a result of a malfunction in a temporary link installed while the Clapham Junction signalling system was being upgraded.

A fault developed which led to a relay in the signal box being accidentally energised. This is thought to have caused a signal to flash different colours. The driver of the first train is thought to have passed the faulty system and then decided to stop at the next trackside telephone to report it to the signal box.

After his train passed, the signal is thought to have reverted to green.

In the House of Commons, meanwhile, Mrs Margaret Thatcher, Prime Minister, sat alongside Mr Channon as be praised the emergency services and told MPs that it was too early to provide an indication of what caused the crash.

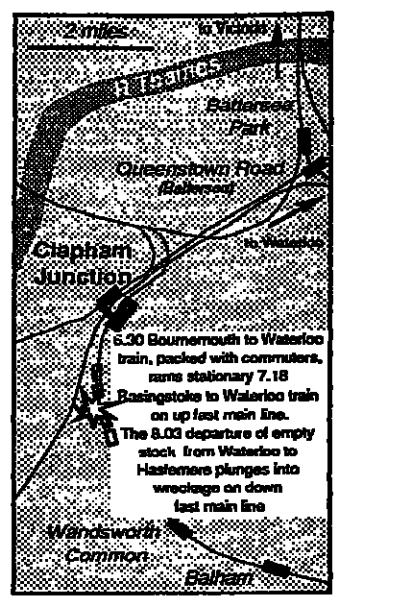
Earlier, Mrs Thatcher said she had been deeply shocked by the tragedy and acknowledged that an internal, British Rail investigation alone would not be acceptable. She is expected to visit some of the injured in hospital, possibly today.

Mr Channon said that the terms of reference for the inquiry, or the identity of its chairman, had yet to be decided but it was expected that details would be released this week.

Responding to suggestions from some MPs that lack of investment, leading to overcrowding, could have been a contributory factor to the high number of deaths and injuries, Mr Channon said that investment in cash and real terms was running at "probably the highest-ever levels."

Mr John Prescott, the opposition Labour Party's transport spokesman, said the number of deaths and major injuries on British Rail had increased by 62 per cent over the past five years, and collisions by 18 per cent.

Clapham rail disaster, Page 11



Commission and UK move nearer to agreement on taxes

By David Buchan in Brussels

LORD Cockfield, the European Commissioner for the internal market, yesterday dropped some of his proposals for indirect tax harmonisation across the European Community. At the same time, Britain appeared to soften its stance on the issue.

The signs of convergence appeared at a meeting of EC finance ministers which earlier took a major stride towards the creation of a single European financial market by agreeing to directives on information disclosure for new securities issues, and on a common capital base for EC banks.

Final adoption of those directives must await the approval of the European Parliament.

The confrontation between Britain and the Commmission over indirect taxation has been one of the biggest obstacles to the dismantling of internal border checks ahead of the planned integration of the European market by 1992.

Mr Nigel Lawson, UK Chancellor of the Exchequer, told the meeting that Britain's proposal to let market forces bring value added tax rates closer together could be "modified not only to reduce fiscal frontier controls, but to abolish them."

This is the first time a UK minister has talked of abolition of the existing frontier controls needed to administer the current VAT payment system. Mr Lawson suggested that "checks could be made at traders' premises, rather than at frontiers" inside the Community.

At the meeting, Lord Cockfield, making his last appearance as a commissioner before EC finance ministers, dropped his plan to forge the Community's widely-differing excise duty rates into a single rate. He also suggested that the higher of his two proposed bands for value added taxes be replaced simply by a minimum of 17 per cent with no ceiling.

However, he stood by his earlier plan for a lower 4-9 per cent VAT band.

Mr Lawson welcomed what he called "death-bed flexibility" by Lord Cockfield, who is being replaced as the senior UK commissioner at the end of this year.

The Commission and the UK, which together with Luxembourg has been the most forthright opponent of the Cockfield tax plans, are still, however, some distance apart. Mr Lawson said the Government could not reverse election promises to maintain the zero-VAT rating on certain goods.

But UK officials expressed satisfaction that the Commission was coming around, if only partially, to proposing minima, and not maxima as well, for VAT rates. According to the UK, market forces in the shape of cross-border shoppers, should be relied on to bring rates down towards any agreed minimum level, rather than administrative action from Brussels.

Mr Lawson said: "The ball is in the court of the new Commission," which takes office in January. It should seek exits out of "the blind alley" into which Brussels had got itself.

The Commission's overall aim, which the UK now appears to share, is to remove the fiscal rationale for internal EC borders in the planned single market by 1992.

Under the securities prospectus rules agreed yesterday, prospective investors in new transferable securities will be able, probably by 1992, to get a common degree of information in all 12 EC countries by which to make their investment decisions. Exempt, however, from the information disclosure rules are all Euro-securities that are "not the object of a generalised advertising or canvassing campaign."

This was demanded by the UK and Luxembourg which were anxious not to see the high volume Euro-securities business driven out of the Community by over-regulation. Belgium opposed this exemption, but conceded defeat without pushing for a vote.

Ministers also approved an anti-raider directive, already passed by the European Parliament.

Details, Page 2

Japan sees first big hostile takeover

By Stefan Wagstyl in Tokyo

CORPORATE RAIDERS have seized control of Kokusai Kogyo, an aerial survey group worth Y200bn ($1.65bn), in the first hostile takeover of a large Japanese company.

Koshin, a speculative investment group, won control dramatically at an extraordinary general meeting of Kokusai Kogyo on Saturday, when the raiders overpowered the existing 14-member board by forcing through the election of 15 new directors.

Mr Akira Masuyama, the president, resigned to make way for executives appointed by Koshin – the supporters of which include his father, Mr Kenzo Masuyama, founder of Kokusai.

The son promised to take the battle to the courts to win back control of the company.

Analysts yesterday said the events at Kokusai Kogyo were unprecedented in Japanese corporate history. The takeover is not seen as a sign that Japanese companies in general are sharpening their swords for Western-style corporate battles. Instead, it is viewed as an extreme example of Japanese-style greenmailing, a tactic in which corporate raiders buy shares and then try to force a target company to buy them back.

Although greenmailing has been a recurrent feature in Japanese stock market activity of recent years, its protagonists have failed to gain any real measure of acceptance in the country's business community. This is largely because cornering a company's shares has been viewed as contribut-

Continued on Page 24

Second rescue aircraft in Armenia crash

By John Lloyd in Moscow

A SECOND rescue aircraft crashed as it attempted to land in Armenia yesterday, adding yet another twist to the tragedy which has fallen the earthquake-stricken Soviet republic.

The Yugoslav Air Force transport aircraft disappeared without explanation from radar screens when it was about 20 miles away from Zvartnots, the airport of the Armenian capital Yerevan. All seven people on board were killed. On Sunday, a Soviet military aircraft went down with the loss of 78 people.

The political situation in Yerevan, Armenia's capital, was said to remain tense last night following arrests of several members of the Karabakh committee, the nationalist group, on Sunday. Troops surrounded the Writers Union building, which the committee had made its headquarters, and have also encircled the prison in which they are held, to which no relatives are being granted access.

The cost of rebuilding the three shattered towns of Leninakan, Kirovakan and Spitak was put by Mr Leonid Bibin, first deputy chairman of the USSR state building committee, at 5bn roubles ($8.5bn) – implying that the total cost of earthquake damage will be much higher. The 1986 disaster at the Chernobyl nuclear power station cost 8bn roubles.

Mr Bibin said that two large plants in Leninakan – a lift factory and a hosiery plant – had been completely destroyed, although a major chemical plant had not been substantially damaged. In Spitak, a town of 30,000 people, half the inhabitants were said still to be buried under their rubble. Mr Valerin Nikiforov, a deputy foreign minister, said colleagues had told him that "groans and cries" could still be heard from beneath the smashed buildings.

Mr Bibin said he understood that people could live for up to two weeks under rubble if they had air. Mr Panyukov said that all the airports of the Soviet Union were now open to relief aircraft from any country, and that "if we could not secure safety, we would refuse entry into our air space."

Some 200 flights have taken 10,000 rescue workers from all over the Soviet Union into the disaster areas. Foreign countries have sent 943 specialists in 38 flights, with more arriving continuously. The sharpest criticism of the rescue efforts voiced so far has come from Pravda, the Communist Party daily. In a despatch from Yerevan, its correspondent said that in the first three days after the earthquake, there was a serious lack of cranes, generators, tents, lighting and even hot food.

It said that the collapsed buildings appeared to be made more of sand than of concrete, that the only efficient workers were the foreign teams, that what advanced equipment the Soviet Union did have was not effectively deployed, and that "in extreme circumstances, even the most minor error takes its toll in human lives."

Moscow Radio said that in Spitak "There are no communi-

Continued on Page 24

Plessey calls on Brussels to stop GEC-Siemens bid

By William Dawkins in Brussels

PLESSEY, the British electronics group, has called on the European Commission to block the £1.7bn ($3.1bn) takeover bid from the General Electric Company of the UK and Siemens of West Germany on the grounds that it contravenes European Community competition rules.

The embattled company has filed a formal complaint to the Commission under Article 85 of the Treaty of Rome, which outlaws any industrial agreement likely to distort free competition, a provision which can also apply to consortium takeover bids. It draws the Commission further into one of the largest and most bitterly fought takeover battles.

Plessey applied last week for an injunction in the British courts, the first time a British group has used EC competition law to try to beat off a takeover. The injunction application, which is due to be decided at the end of this week, argues that the bid cannot legally proceed until the Commission has made up its mind whether or not to give it clearance from EC competition restrictions.

Plessey's complaint to the Commission is the logical next step after seeking the UK court injunction and is designed to ensure that Brussels begins a formal investigation. Brussels was unlikely to decide on a bid of this size and importance before Christmas, said a senior Commission official.

It has speeded up procedures for examining big European mergers in the past year, but Plessey's complaint is complicated by the fact that the Commission is also waiting to hear submissions from GEC and Siemens.

The bidders approached the Commission informally when they launched their takeover last month, but were advised to make a formal application for clearance from competition rules. This is granted if Brussels is convinced that the deal promotes technical or economic progress while benefiting consumers. The bidders are preparing their case for the Commission's competition department.

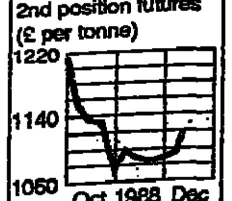
Plessey's approach to Brussels does not directly affect the progress of its injunction application in the UK courts. GEC and Siemens cannot send out offer documents until the court decides. A two-day hearing on Thursday and Friday is expected to produce a ruling, but there is then the chance of another delay for an appeal to be heard.

Yesterday's development is the latest confirmation of the increasing importance of EC competition rules in big European takeovers. Earlier this year the Commission used Article 85 to block a consortium bid for Irish Distillers, the whiskey group, on the grounds that the partners were illicitly planning to carve up the Irish drinks market.

Plessey's appeal will also be seized on by the Commission as evidence to sceptical EC Governments that it needs a merger control regulation to clarify its ill-defined powers to intervene in takeovers. Normally, it can intervene only after a bid has been completed, except if takeover involves a consortium of competitors.

MARKETS

Coffee
2nd position futures
(£ per tonne)



INTEREST RATES
US lunchtime
Federal Funds $8\frac{3}{16}$% ($8\frac{1}{2}$)
3-mth Treasury Bills: yield: 8.13% (8.139)
Long Bond: $100\frac{22}{32}$ ($100\frac{16}{32}$)
yield: 8.91% (8.948)
London
3-month interbank: close $13\frac{3}{16}$% ($13\frac{3}{32}$)

STERLING
New York close
$1.8425 (1.84675)
London:
$1.8420 (1.849)
DM3.2075 (3.205)
FFr10.9600 (10.855)
SFr2.6975 (2.7025)
Y226.25 (226.0)

DOLLAR
New York close
DM1.74145 (1.7375)
FFr5.9540 (5.937)
SFr1.46525 (1.4645)
Y122.875 (122.65)
London:
DM1.7405 (1.733)
FFr5.95 (5.925)
SFr1.464 (1.461)
Y122.75 (122.25)

GOLD
New York latest
Comex (Feb)
$425.5 (same)

STOCK INDICES
New York close
Dow Jones Ind. Av. 2,139.58 (-3.91)
S&P Comp 276.71 (-0.32)
London:
FT-SE 100 1,747.9 (-2.4)
World: 139.07 (Fri)
Tokyo
Nikkei Ave 29,672.29 (-121.13)
Frankfurt
Commerzbank 278.45 (-1.42)

OIL
Brent 15-day (Argus) $14.875 (+.30) (Jan)
West Tex Crude $15.935 (+.24) (Jan)

CONTENTS

Arafat speaks to the world but seeks to impress the US

The outgoing US administration forced PLO leader Yassir Arafat to Geneva to speak to the UN but Washington will be listening carefully to see if he publicly acknowledges the right of Israel to exsist
Page 4

EUROPEAN NEWS

Poll losses for French Socialists

By Ian Davidson in Paris

FRANCE'S Socialist government, already suffering from the prolonged disruptions caused by a rolling wave of public sector strikes, has taken a further battering over the weekend from the party's poor performance in three by-elections.

Last Friday night, as expected, the government survived without difficulty or drama the censure motion tabled by the Gaullist RPR party. It was even able to take some satisfaction from the abstention of a number of opposition members of parliament, starting with Mr Raymond Barre, former conservative prime minister and presidential candidate.

However, the hour of victory was short-lived for Mr Michel Rocard, the Prime Minister. In one of Sunday's by-elections, in eastern France, his party lost a National Assembly seat to the RPR; in another, in the Seine-St-Denis suburb of Paris, its candidate seemed likely to lose a seat to the Communists in next Sunday's run-off; and in the third, near Grenoble in the south-east, it was trailing far behind the right-wing candidate in a contest which will also be settled in a run-off.

The loss of any seat is serious for the Socialist Party, whose 260 seats were already well short of an absolute majority in the 575-seat National Assembly, and which has to rely for a working majority either on the 25 Communists or on the 34 Centrists.

The government was always confident of winning last Friday's censure vote, mainly because the Communist Party had long made clear that it would not vote with the right-wing opposition against the government.

In addition, the moderate centre-right parties in the UDF umbrella grouping declined to sign the censure motion, which they described as inappropriate, and four centrists (including Mr Barre) refused to vote for it.

Since in addition 11 of the non-party members also refused to support the censure, the motion only secured 259 votes, well short of the required majority.

Sunday's by-elections will not in themselves make any fundamental change in the government's position in the National Assembly, where the basic arithmetic means that Mr Rocard can only be defeated by an unlikely *de facto* alliance between the Communists and the right-wing opposition.

These setbacks, however, can only add to the government's psychological difficulties in handling the disruptions on the Paris public transport system which, along with the other waves of public sector strikes this autumn, have made life increasingly tiresome for workers and employers in the capital.

With growing bitterness, Mr Rocard has been blaming the Communists for the stoppages. Last week a settlement of the Paris public transport strike was accepted by four moderate trade unions, but not by the Communist CGT. This week the disruption on the buses has eased, but that on the metro is worse.

Despite its denials, there is little doubt that the Communist Party is fanning the flames of real discontent in the public sector, partly to strengthen the position of its trade union members, and partly as a way of putting pressure on the socialists to agree a favourable alliance in advance of next spring's municipal elections.

Soviet party suffers strains of upheaval

By Quentin Peel in Moscow

THE upheaval taking place in the ranks of the ruling Soviet Communist Party, and what amounts almost to a purge of leading officials, has been revealed by a report on internal elections in the Moscow region.

It reveals a growing disaffection with the ruling party, and nervousness among its members at taking public positions in the present climate of increasingly open criticism.

Party membership has dropped over the past year, and a "growing number of Communists" have turned down party posts to which they had been nominated.

Five party secretaries in town and district committees, nine deputy chairmen of local executive committees, and 27 heads of state enterprises have been dismissed in recent weeks. *Their crime* was declared to be "self-compromising and unsatisfactory fulfilment of work entrusted to them by party committees."

In addition, nine party branches have been abolished in the region, which has a population of 6.5m in the area surrounding the capital, and the position of one party secretary has been scrapped.

The details were spelt out by Mr Valentin Mesyats, the regional party leader, in a speech reported yesterday by Pravda, the newspaper of the party central committee.

In it he said the work of a string of almost 150 grassroots party organisations had been declared unsatisfactory.

The absence of "fighting spirit" in the party cells "had a negative effect on the growing membership in *oblast* [regional] organisations," Pravda reported. This year for the first time membership has actually fallen. One explanation given was that party membership was no longer "a forced matter". Another was "the growing demands being made on party members".

Soviet officials struggle to answer earthquake criticism

By John Lloyd in Moscow

THE Soviet leadership yesterday was pressed to find answers to a number of questions posed in the aftermath of last week's Armenian earthquake. They have been raised not by the few foreign reporters allowed into the disaster area but by Soviet newspapers.

The newspapers have demanded to know why so many buildings collapsed so easily, why two rescue aircraft crashed in two days, why all the best equipment and best trained rescue workers are foreign and why the hospitals are so badly equipped.

A correspondent of Pravda wrote yesterday: "It is difficult to tell what there is more of in a slab of concrete (from a ruined building) – concrete or sand. . . how many criminal cases were brought against slovenly contractors [in the earthquake area] and what was the outcome? . . who closed eyes and ears to the warnings of seismologists?"

The correspondent continued: "[Foreign teams] spread through the ruins without a moment's hesitation, whereas we have a dozen onlookers to every one worker, people who will give good advice instead of getting into the ruins themselves."

This is harsh criticism: in a country where the official posture was that everything Soviet was better than anything foreign, it is astonishing to see that turned on its head.

The answers have, so far, been inadequate. A press conference yesterday produced two officials with more or less direct responsibility for some of the problems: they were not hugely convincing. Mr Leonid Bilbin, first deputy chairman of the Soviet state building committee, said that the buildings in the area of Leninakan, Kirovakan and Spitak had been built to withstand a shock of eight points on the Richter scale, but "unfortunately the earthquake was higher than that".

A commission was looking into the question of whether or not the contractors could be held liable for faulty building, or worse. Mr Bilbin did not know if citizens could take a suit against his ministry, but he thought it possible. Mr Boris Panyukov, first deputy minister of civil aviation, said, essentially, that the loss of the Soviet Ilyushin 76 on Sunday and of the Yugoslav cargo aircraft yesterday were mysteries.

Both had been given all relevant information on ground and weather conditions, both had been cleared to land, then both disappeared from the radar screens and were found later to have crashed, with everyone on board dead.

He conceded that at both Leninakan and Yerevan airports the controllers were overstretched – but not beyond the bounds of safety.

It does not seem quite clear who is in command of the operation. Mr Panyukov said that both civil and military personnel were controlling the air traffic (a Novosti despatch on this later described the situation in traffic control as "tense"). A Politburo commission, led by Mr Nikolai Ryzhkov, is in overall charge: but that is based in Yerevan, and much of the co-ordinating work is necessarily handled from Moscow. If there has been a small executive committee of ministers formed to take over all charge of foreign relief, transport and supply,it has not been announced.

The foreign relief effort is, and is generously acknowledged here to be, impressive – though still dwarfed by the scale of the disaster.

Italy eases Soviet trade curbs

By Alan Friedman in Milan

ITALY is to abolish quantitative restrictions on 60 different products imported from the Soviet Union. The announcement of the unilateral lifting of trade restrictions was made yesterday in Rome by Mr Renato Ruggiero, the Italian Foreign Trade Minister.

Mr Ruggiero, speaking at the first meeting of the Italo-Soviet Trade Commission to be held at ministerial level, said the lifting of restrictions would take effect from January 1.

Items on the list include zinc, aluminium, cigarettes, plastics, polymers, synthetic rubbers and tractors.

In the presence of Mr Konstantin Katushev, his Soviet counterpart, Mr Ruggiero also said that by 1992 Italy plans to abolish a further 900 trade restrictions concerning Soviet imports, but that these would be removed in the overall context of trade negotiations between the EC and Comecon.

Mr Ruggiero took the occasion of yesterday's meeting to stress that should Moscow wish to join the General Agreement on Tariffs and Trade, it will be able to count on support from Italy.

The Italian foreign trade minister went on to say that he expected Rome's recently granted Ecu 680m government guaranteed export credit line for Moscow to be used mainly to foster the sale of consumer products to the Soviet Union.

EC moves nearer single financial market

By David Buchan in Brussels

EC FINANCE Ministers yesterday made major strides towards a single European financial market by agreeing common prospectus rules for new securities issues and a common definition of banks' capital bases, as well as finally adopting a new "anti-raider" measure.

Prospective investors in new transferable securities will be able, probably by 1992, to get a common degree of information in all 12 EC countries by which to make their investment decisions. Exempt, however, from the information disclosure rules are all Euro-securities that are "not the object of a generalised advertising or canvassing campaign."

This exemption was demanded by the UK and Luxembourg which were anxious not to see the high volume Euro-securities business driven out of the Community by over-regulation. Belgium opposed this exemption, but conceded defeat without pushing for a vote.

The European Parliament now has to give a second reading to the prospectus draft directive, as well as to the banks' "own funds" proposal also approved by finance ministers yesterday, before these measures can be finally adopted. The prospectus directive would come into force two years after final adoption, therefore probably in 1992, while the implementation date for the bank capital directive is set for 1993.

The latter draft directive sets a common definition of banks' own funds which will serve as the base-line for another EC directive setting solvency ratios for banks. Together, the own-funds and solvency ratio directives are to create uniform minimum prudential requirements for banks which, under the proposed second banking directive, would get single operating licences for the whole Community.

Bonn urges quick start to conventional arms talks

By Judy Dempsey in Vienna

WEST GERMANY wants new talks on conventional arms in Europe to start by January 6, but other Western diplomats in Vienna doubt it will be possible to resolve outstanding issues as soon as that.

The pace of the Vienna review meeting of the Conference on Security and Co-operation in Europe (CSCE) – to which the proposed Conventional Stability Talks (CST) are linked – has accelerated following last week's promise by Mr Mikhail Gorbachev, the Soviet leader, to cut his armed forces.

The outgoing US administration is also anxious to end the Vienna meeting before its term expires. It is understood that Mr George Shultz, the outgoing US Secretary of State who will be in Paris in early January for talks on chemical weapons, would like to "bow out" of office by coming to Vienna to sign a concluding document.

However, diplomats say the following obstacles have still to be cleared:

● Human rights issues – East Germany and Romania remain reluctant to give the West the promises it wants.

● The question of which parts of Turkey should be included in the arms talks. Following several meetings in Vienna between Turkish and Soviet diplomats, the issue looks close to a solution.

● The precise institutional link between the CST (which would group the 16 Nato and seven Warsaw Pact states) and the broader 35-nation CSCE process. France and the US settled a dispute over this issue last week, but the formula they found must still be accepted by the 12 Neutral and Non-Aligned CSCE members and by the Warsaw Pact.

Nevertheless, Western and East European diplomats believe the Vienna meeting, which opened in November 1986, is in "countdown" stage.

Struggling to squeeze more out of communist capital

Michael Kayser on the pressure behind Mikhail Gorbachev's efforts to restructure the economy

TO UNDERSTAND the need for greater efficiency that lies behind the domestic and foreign policies of Mr Mikhail Gorbachev, one must first explain the exhaustion of those resources which allowed his predecessors, Josef Stalin and Nikita Khrushchev, to maintain a dynamic economy.

Growth was never as fast as was claimed. The official index of industrial production rose 90 times between 1928 and 1986, but one Soviet re-calculation points to a six-fold increase, while the US Central Intelligence Agency estimates nine times. Also, expansion was confined to heavy and defence industries.

But expansion under Stalin was able to draw on a high natural increase of the workforce and on a pool of rural labour kept on forcibly collectivised farms until it was needed in mines and factories.

Huge population increments could support industrial growth until the 1960s, when fertility plunged and mortality began to rise.

After an upturn when family allowances were enhanced, the trend of births turned downward and that of deaths upward.

Stalin, Khrushchev and Leonid Brezhnev could force the accumulation of capital to the detriment of living standards, but plant and equipment was ill-used, because of weak incentives to make profits, ministries' readiness to subsidise loss-makers, a rigid and irrational price structure, and frequent stoppages (due to supply irregularity, under-maintenance or over-exploitation).

Exhaustion of inflows of new labour means that more must be obtained from capital or from productivity if output is to be maintained.

The distribution of the population adds a further complication. Currently 61 per cent of fixed capital is installed in the Russian Federation and only 11 per cent in the four Central Asian Republics and Kazakhstan. By contrast the workforce of the Russian Federation will have fallen by 2.1m between 1981 and 1995 but risen by 9m in the five Asian Republics. But many factors preclude the internal migration which would normally be indicated.

Resources have until now been heavily committed to defence and space projects. These priorities exacerbated shortages and the uneven flow of civilian production. But Mr Gorbachev seems to have obtained the acquiescence of military leaders to cuts, by arguing that the weakening of the economy would irreparably erode defence potential.

There was a notable productivity gain in the 1960s during Khrushchev's abolition of the industrial ministries and Andrei Kosygin's managerial devolution. Productivity increments became negative, with the reversal of economic reform for fear of the political consequences of the Prague Spring and with the heavy cost of opening up oil and gas in Siberia and of building a second Trans-Siberian Railway.

Mr Gorbachev aims to secure productivity growth in part by dismantling the monopoly of the industrial ministries, just as he has already abolished the monopoly of the Ministry of Foreign Trade.

Mikhail Gorbachev: seeking productivity growth

His policy accords more autonomy to, and public information on, the economy and society. The advantage of "de-Stalinising everything at once" is that each change may support another where a piecemeal reform might not.

It is to maintain a tie to the old system that the state enterprise, formally rendered self-financing from last January, is still required to comply with "state orders". Supervising ministries continue to impose such orders, but some productive capacity has been released with the intention of making it available for market-determined orders, and the unconstrained share of capacity is to be enlarged next year.

The Western powers should do all they can, within proper political, diplomatic and security constraints, to promote competitiveness within the Soviet Union.

Trade policy is the first in line, given the newly-granted rights of Soviet producers to export (and retain some of their foreign earning for spending abroad) and to import (albeit under limits). Positive access to markets, as through the current discussions on a treaty with the European Communities, can be enhanced and obstacles to Soviet purchases, as by CoCom, should be reviewed.

Given that Soviet export diversification away from natural resources to manufactures is inevitable, participation in Gatt is in its present members' interests – to monitor and control the flow – as well as desired by the Soviet Union.

Joint ventures on Soviet soil are a second desirable feature of the new regime.

More so than a trade deal, a Western partnership confronts Soviet managers with a market mode of operation. As with trade, the Soviet side has to account in prices formed by Western competition. As part of a gradual move to make the rouble convertible, exporters and importers now actually get the foreign price.

The impact of foreign prices is temporarily modified by a multiple set of "coefficients" tantamount to thousands of separate exchange rates but a unified exchange rate will be applied in time.

Western influence over price formation could play some part in dispelling the pusillanimity of the USSR State Committee on Prices, in allowing price flexibility after the wholesale price reform.

Services constitute the final field for opening up the Soviet economy. Co-operative banks, in which a state-run bank has a minority share, are being established to supply "risk capital". They are getting the right to operate abroad and could be a better vehicle for introducing innovation than the state network. Soviet enterprises, under regulations of October 1987, can buy marketing and other consultancies from the West to improve their competitiveness.

Soviet managers should be given concessional rates at Western business schools, subsidised by governments and interested businesses. In broader terms, each sides need more published analysis of each other's economy. The cost of expanding such expertise is modest compared to the value to the business community in both the Soviet Union and the West.

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Unseasonal bad will descends on Italian politics

By John Wyles in Rome

THREE MONTHS of relative quiet in Italian politics has suddenly ended amid unseasonal acrimony and bad will which seems partly aimed at undermining Mr Ciriaco De Mita, the Prime Minister, and weakening his controlling and hitherto unnatural alliance with Mr Bettino Craxi, leader of the Socialist Party.

While Mr De Mita was preparing yesterday to receive the freedom of the city of Los Angeles, controversy was still raging back home over allegations that he and his family, together with fellow-Christian Democrat bosses in his native province of Avellino, had prospered from huge amounts of money earmarked for the reconstruction of areas destroyed by the 1980 earthquake in southern Italy.

Mr De Mita has launched a court case against the Communist Party newspaper L'Unita for an article alleging that he had done well out of the earthquake. At the same time, he has been caught up in a public slanging match with the venerable and highly respected editor of the conservative daily, Il Giornale, which carried a series of articles on the earthquake reconstruction programme last month.

The Prime Minister alleged that the articles were a reprisal for an earlier complaint he had filed with magistrates against Mr Indro Montanelli, who had written a characteristically acerbic commentary in the spring implying that Mr De Mita was an old-style southern party boss schooled in "mafiosi" methods of political control.

Mr De Mita suggested last week that journalists were "bought" and prevailed upon to write things they did not believe. Mr Montanelli replied last weekend that the Prime Minister was suffering from "nervous over-excitement," adding "over-excitement passes, godfathers stay on."

Truth is the first casualty in most Italian political scandals and no Italian expects that a parliamentary inquiry about to be set up will uncover the full facts about the use of up to L65,000bn ($51.48bn) which has been earmarked for earthquake reconstruction since 1980. Few Italians have been surprised to learn that Mr De Mita and his family are minor shareholders in the Banco Populare d'Irpinia, the deposits of which have risen 15-fold since 1980. Neither will it have come as a great shock to learn that the local Christian Democrat machine may have been looking after its friends in disbursing construction contracts.

The fact that the Communists have seized vigorously on the Irpinia issue is a crucial indicator of the party's change of tack under its new leader, Mr Achille Ochetto.

Hungarian tourism fails to lift currency surplus

By Leslie Colitt in Berlin

TOURISM, the ailing Hungarian economy's most efficient hard currency earner, boomed this year as more westerners than ever visited Budapest and Austrians swarmed across the border to have their hair done and teeth fixed in Hungary at bargain prices.

But the hard currency surplus nonetheless melted away as a record number of Hungarians visited the West after the issuance since last January of passports valid for travel anywhere.

Mr Jozsef Czegledi, a senior official of the Hungarian Tourism Board, said hard currency revenues from tourism this year are expected to total between $640m and $660m or 15 per cent to 20 per cent more than last year.

At the same time, hard currency spending abroad will amount to between $450m and $470m as twice as many Hungarians visited the West as did last year. The surplus in the tourism balance will thus shrink to about $200m compared with $370m last year.

Vienna braced itself last November 6 and 7 when at least 100,000 Hungarians in 20,000 cars and 300 buses jammed the city's streets and left behind Sch500m ($41m), mainly for video recorders, computers and other electronic items.

The Hungarian customs office said border clearance should be computerised next year to cut waiting time at the border.

Hungarians will spend nearly Sch10bn in Austria this year, more than offsetting the fall in sales from Austrians who buy cheaper food and services in Hungary.

Hungary's drain in hard currency was intensified as citizens exchanged far greater amounts of Hungarian forints into Western currencies at the black market rate to obtain the minimum amount of hard currency required for trips to the West.

Although Hungary lost many tourists from Eastern Europe this year, officials in Budapest are losing no sleep over this trend.

East European currencies are non-convertible and the number of East Europeans visiting Hungary far exceeds the flow in the opposite direction. The difference must be paid for by the other countries in the form of goods deliveries to Hungary.

W German dispute over response to jet crash

By David Goodhart in Bonn

A ROW has broken out in the West German Defence Ministry over the appropriate response to last week's US military jet crash in which six people died when an anti-tank jet ploughed into a row of houses in Remscheid, near Dusseldorf.

Mr Rupert Sholz, the Defence Minister, has made it clear that he is displeased with Mr Peter Wuerzbach, State Secretary in the Ministry, over Mr Wuerzbach's declaration – soon after the accident – that all low flights in West Germany would be banned until the year end. Mr Wuerzbach may be forced to resign over the issue.

Mr Sholz, along with the Nato military chiefs in Germany, believes the decision was an over-reaction, but any attempt to reverse it would provoke a public storm.

Pressure for a much longer ban on low flying is supported by a large segment of political opinion and according to a Wickert organisation poll 89 per cent of West Germans want low flying stopped completely.

Military officials point to the fact that neither this latest accident nor the more serious crash at the US Air Force base in Ramstein in August were caused by low-flying.

But officials concede that it would be difficult to persuade public opinion of the dangers to combat readiness caused by further reductions in flying practice so soon after Mr Gorbachev's force-cutting United Nations proposals.

Morale in the West German and other Nato forces is likely to be dented by the wave of public hostility, and many Christmas party plans have been abandoned after a ban on military bands.

It is not yet clear whether other Nato forces will comply with the low-flying ban until the new year or whether the Bonn Government may reluctantly find itself re-opening the arguments over German sovereignty. Mr Helmut Kohl, the Chancellor, is meeting the Länder (states) prime ministers later this week to discuss the issue, and the Bundestag defence committee will study a report next week.

Madrid officials warn over strike

TRAVEL to and from Spain will be badly affected by a 24-hour general strike tomorrow in protest at the Socialist Government's economic policies, transport officials said, Reuter reports from Madrid.

Iberia, the state airline, cancelled international flights and the railway company said it would run only one international train - to Lisbon. British Airways said it was suspending flights to and from Spain.

EC weighs the fate of Italian steel

John Wyles assesses the prospects for an imaginative restructuring

ONE flavour which will almost certainly be missing from today's meeting of European Community industry ministers in Brussels is the optimism tinged with self-congratulation which is now radiating from the Rome headquarters of Ilva, the Italian state-owned steel company.

Ilva is designed to be the phoenix rising from the ashes of Finsider, a public company which had become synonymous with weak management and vertiginous losses.

But Ilva will remain pretty firmly glued to those ashes until the ministers approve Italy's request for one more "final" injection of state aid. Such now is the strength of Italian belief in the steel recovery plan that it can barely be credited in Rome that anyone should want to change it.

Above all, it is felt that the rest of the EC must understand the political dangers involved in closing 1.18m tonnes of hot rolling capacity and axeing 20,000 or 28 per cent of the work force by 1990.

Over the past three months, the response of others such as the Netherlands, the UK, France and, most obdurate of all, West Germany, has been to point to the political and social lesions which they have suffered during the agony of steel restructuring and to regret that Italy, again, may be doing too little too late.

It has been argued from Bonn and elsewhere that the Italians should be closing more capacity in return for a new financial lifeline of L7,670bn (£3.24bn). According to one of Brussels' more arcane measuring rods, Italian public steel had already received by 1986 Ecu 1,660 of aid for each tonne of hot rolling capacity closed – a total approached only by France's Ecu 1,496.

The sacrificial lamb other steel producers would like to see on the negotiating table is the 1.2m tonnes of rolling capacity at Bagnoli, sited at the edge of the Bay of Naples.

The Italian government is offering to close the melting shops at Bagnoli from next July and to reduce employment there from 3,000 to 850, but it opposes shutting the plant altogether.

Naples is a Christian Democrat stronghold and Neapolitans led by Mr Antonio Gava, the Interior Minister, are in virtual control of the party.

Beneath them, the ground is shifting uncomfortably and memories are still fresh of the occasion earlier this year when Bagnoli workers ran riot through Naples town hall to voice the concerns of an already socially blighted city.

Instead of this fixation with Bagnoli, the Italians would prefer their EC partners to admire the commercial logic, and imaginative breadth of their plan.

The European Commission and independent consultants have pored over it line by line and endorsed its conclusion that the once cash-devouring Finsider, whose losses reached L1,700bn in 1987, can be a modestly viable Ilva by 1990.

Plant closures, sales to the private sector, internal efficiencies and a totally new corporate plan based on cautious market expectations should, it is claimed, produce a consolidated profit of L138bn in 1990.

The crucial condition, however, is a capital restructuring of L7,180bn which would permit a gross operating margin as a percentage of sales of 12.4 per cent in 1990 and the sum of amortisations and interest payments to be 9.2 per cent.

"Without capital restructuring we shall just not be able to operate within a competitive framework," says Mr Giovanni Morganti, Ilva's director of planning, pointing out that Finsider's equivalent ratios in 1986 were a gross operating margin of 2.4 per cent and amortisations and interest payments of 15.1 per cent.

Finsider's 1984-86 recovery plan was built on capacity cuts of 4.6m tonnes of hot rolling capacity, the abolition of 25,000 jobs and new financing of no less than L13,159bn.

Ilva now acknowledges severe management failures in attempts to reach the plan's efficiency targets — for which Finsider's then president and managing director have paid with their jobs. Although employment was cut by 32 per cent on 1980 levels, the plan underestimated the cuts that were necessary to match the recovery of steel industries elsewhere.

Mr Morganti believes that the new plan is based on a more sober assessment of the steel market and on a rational view of which plants and which products could be competitive in the 1990s. Only these are being put under the Ilva umbrella which has been designed as an operating company, with specialised product divisions responsible for planning and marketing.

"This is the first time anyone has attempted a complete redesign of a steel company in Europe," he says.

It may also be the first time that an EC government has tried to deal so comprehensively with the social consequences. Fear of union backlash against a radical restructuring was one factor which constrained the previous Finsider plan, but this time the government has acted with more courage and more imagination.

It has committed Iri, the giant state holding company, to the task of creating new jobs in the areas to be hit by Finsider closures, in an example of how the resources of Italy's large public sector can be brought to bear on a problem.

Essentially, Iri has scoured the investment plans of its subsidiary companies, accelerating some and relocating others to provide 11,800 jobs.

Around 40 different job creating investments have been identified in Naples, Genoa, Taranto and Terni which, under union pressure, have recently been spelled out in very fine detail.

Business innovation centres are to be set up in the four areas to help workers start their own ventures with cash equal to the value of three years' unemployment pay which can be withdrawn as lump sums.

"This is what Agnelli or Gardini might have done, but it is strange to find it in the public sector which has been rightly accused of welfarism. This is a reflection of a new entrepreneurial approach in the public sector," says Mr Enzo Leone, who runs Ilva's job creation programme.

Italian public steel, like other steel companies in the EC, is reaping the fruits of a strong market and rising prices this year, yet its structural failings will be evident in a further loss of L800bn.

Ilva has done its sums and is more than a little worried about the impact on its strategy if Industry Ministers cannot reach agreement today, or if an eventual deal cuts back the volume of financing to be made available. But above all, it wants an end to uncertainty.

Italy will come under intense pressure from its European Community partners today to add substantially to the heavy closures it is offering to make in its state-owned steel industry, amid signs that the time left for an accord is short, William Dawkins reports from Brussels.

Rome's plan to remove 1.18m tonnes of hot rolled capacity and 20,000 jobs in return for being allowed to wipe out L7,670bn (£3.25bn) of its steel industry's debts needs the unanimous support of the EC's 12 member governments to take effect. But talks between national officials have failed to close the gap with West Germany, backed by the UK and France, which are pushing Italy to make a far bigger contribution to slimming Europe's underlying overcapacity in steel.

They argue that Italy paid far more state aid than other steelmaking countries to prop up its industry during the last recession, with the result that Finsider, the state-owned producer, renamed Ilva, is producing more than the market can justify. However, some national officials warn that if they fail to agree around the current Ilva rescue plan soon, the deadlock could worsen.

Sweden strengthens its links with EC

By Robert Taylor in Stockholm

THE Swedish Moderate Party has acquired observer status in the European Assembly in Strasbourg, in a move that is being seen as an important step in Swedish interest in the European Community, which has been gathering pace in the past year. "I hope sincerely that other parties will follow our example," said Mr Carl Bildt, the Moderate's leader.

Yesterday, the party's representative, Ms Margaretha af Ugglas, took her seat in the assembly. She will not be able to speak or vote in the European Parliament, but as a member of the European Democratic group of MPs she will have direct access to all EC information and will be able to follow what is happening on important issues.

The Moderates will press the European Commission to open an office in Stockholm next year as an urgent priority to demonstrate Brussels' interest in Sweden's future relations with the EC. This spring the EC established such an office in Oslo. The Swedish government has actually had an office in Brussels since 1958 to deal with EC affairs.

Unlike the Norwegian Conservatives, however, the Swedish Moderates, who are the country's leading opposition party, have stopped short of urging that Sweden should apply for EC membership, but the party's presence in Strasbourg provides further evidence of the quickening concern for EC affairs in Sweden.

Last month Mr Ingvar Carlsson, the Prime Minister, attended a meeting of European Socialist leaders in West Berlin, designed to increase the influence of the left on the development of the EC's internal market up to 1992.

Over the next few months the ruling Social Democrats are expected to intensify their involvement with the EC, possibly even appointing a specific minister to handle the issue.

OVERSEAS NEWS

Pakistan elects Ishaq Khan as successor to Zia

By Christina Lamb in Islamabad

MR Ghulam Ishaq Khan, the man who stepped into the breach when President Zia ul-Haq was killed in an air crash, was yesterday elected President of Pakistan. He took over as acting President in August and is widely credited with having orchestrated the country's first peaceful transition to power of an elected government.

Ishaq Khan: clear winner

Ms Benazir Bhutto, who won last month's election, yesterday had her position as Prime Minister confirmed by the country's National Assembly. She was named Prime Minister ten days ago, but was obliged by the Constitution to secure a vote of confidence in the national assembly within 60 days.

Although there are only 93 members of her party she won the support of most independents and small parties to secure 148 votes, 55 people voting against. Though it was a healthy majority it was not the two thirds required for constitutional changes the PPP are eager to implement.

Members of the religious party Jamaat Islami, staged a walkout having failed to stop the vote going ahead on the grounds that under Islam a woman cannot be head of govt.

Mr Ishaq Khan was overwhelmingly elected by the Senate, national assembly and provincial assemblies except for Baluchistan. The result came as no surprise, he having emerged as a consensus candidate, supported by both Ms Bhutto's Pakistan People's Party (PPP) and the opposition Islamic Democratic Alliance.

Mr Ishaq Khan is widely respected as a man who goes by the book. He first earned the nation's respect when as chairman of the Senate he took over after Gen Zia's death, and appeared on national television pledging to follow the Constitution and hold elections as scheduled.

Despite pleas from government members to delay the polls, Mr Ishaq Khan kept his promise, holding the country's first free and fair elections in 18 years in November. The Constitution gives the President the right to nominate the Prime Minister and after 15 days, he chose Ms Bhutto whose party had emerged as the single largest, though without a majority. Before she was selected Ms Bhutto pledged her party's support for Mr Ishaq Khan's re-election

At 73, Mr Ishaq Khan is Pakistan's most successful bureaucrat. He has held key government posts in every regime, military and otherwise, since 1961, when Field Marshal Ayub Khan appointed him head of WAPDA, the public sector giant responsible for providing water and power.

After a spell as Finance Secretary, he became Cabinet secretary under another military dictator, General Yahya Khan, then ran the State Bank under Zulfilkar Ali Bhutto, Pakistan's first elected Prime Minister. His subsequent job as Defence Secretary brought him close to Bhutto's Chief of Army Staff, General Zia, and it is thought that he tipped off Zia that Bhutto was about to dismiss him, prompting the coup in which Zia seized power.

Before becoming Senate Chairman in 1986 Ishaq spent seven years as Finance Minister under Zia, during which time he introduced interest free banking as part of Zia's Islamicisation campaign. The two fell out in July when Zia announced that the elections would be on a non-party basis.

● Pakistan has denied shooting down an Afghan passenger plane in which 25 people including women and children were killed. Radio Kabul reported that the plane, travelling between Kabul and Khost on Saturday night, was shot down by a Pakistani aircraft.

Kidnappers set to 'execute' US officer

By Jim Muir in Beirut

THE KIDNAPPERS of an American Marine Colonel said last night that they had decided to "execute" him after finding him guilty of spying for Israel.

The announcement came only hours after a 65-year-old British-born teacher was shot dead by gunmen in West Beirut, in an apparently unrelated development.

The statement, issued in the name of the Organisation of the Oppressed on Earth, said the group had sentenced Lt Col William Higgins to death after he had confessed to being a spy.

Typewritten in Arabic, the statement said there was clear evidence Col Higgins and his team of United Nations observers had been providing the Israelis with detailed information on "resistance fighters" in southern Lebanon – a charge earlier denied by UN and US officials.

The statement was accompanied by a photocopy of an old photograph of Col Higgins.

The US officer was abducted by gunmen on the coast road south of Tyre, in the far south of the country, in February. His kidnappers are believed to be pro-Iranian militants linked to Hizbollah.

The man killed yesterday was British- born teacher Arthur Newington-van Nieuwerburgh, who was shot dead near his home in West Beirut by unidentified gunmen armed with silenced pistols. He was hit several times in the head and died immediately.

Van Nieuwerburgh, 65, a Beirut resident for more than 20 years, carried a Belgian passport, apparently believing that made him less vulnerable to kidnap or attack than other western nationals.

ADDRESS TO UN ASSEMBLY

Arafat seeks to change US policy on PLO

By Victor Mallet in Geneva

WHEN MR Yassir Arafat, the leader of the Palestine Liberation Organisation, addresses the UN General Assembly at a special session in Geneva today he will be hoping above all to impress the US and persuade the Americans finally to talk to the PLO.

It was the outgoing US Administration which refused Mr Arafat a visa to address the UN in New York on the grounds of his association with terrorism, thus forcing the removal of the Palestinian debate to Geneva. Yet it is the US too which has the leverage to push Israel into a Middle East conference.

A series of concessions to Western and Israeli demands announced by PLO leaders in recent weeks, starting with the meeting of the Palestinian parliament in exile in Algiers, has put Israel and the US on the diplomatic defensive.

In London last week, Mr Bassam Abu Sharif, a PLO moderate and an adviser to Mr Arafat, secured a meeting with a British minister for the first time in five years by publicly accepting the existence of Israel and renouncing all violence and terrorism.

If Mr Arafat does the same in Geneva today – and he has already explicitly accepted Israel's existence at a meeting with US Jews in Stockholm – then it will be increasingly difficult for the new US Administration of Mr George Bush to refuse to deal with the PLO. The US has refused since 1975 to talk to the PLO until it accepts Israel, and it also insists on a renunciation of terrorism.

Israeli and US officials including President Ronald Reagan have accused the PLO of ambiguity in its recent statements but if they continue to rebuff the organisation in the face of a clear declaration from Mr Arafat today, they are likely to appear mistaken and churlish in the eyes of the rest of the world.

"Chairman Arafat's speech will be historic," said Mr Abu Sharif at the weekend. "He will be putting forward in clear terms the Palestinian peace initiative ... it is the moral and political responsibility of the United States and Europe to make all efforts possible to convince the Israelis that negotiating is the only way to settle the Israeli-Palestinian conflict."

While the Israelis and the Americans say Mr Arafat has not gone far enough, some of his own supporters say he can go no further. The PLO leadership has already abandoned most of historical Palestine to Israel by accepting the idea of a Palestinian mini-state in the Israeli-occupied West Bank and Gaza Strip.

The voices of Palestinian radicals opposed to compromise with Israel have become louder, and they are likely to become louder still in the absence of any American or Israeli response to the PLO's overtures.

Already the Democratic Front for the Liberation of Palestine and the Progressive Front for the Liberation of Palestine, more radical than Mr Arafat's dominant Fatah group, have accused the PLO leader of "capitulating" by giving such a moderate interpretation of the decisions made by the Palestine National Council last month in Algiers.

The PNC declared a symbolic independent Palestinian state and only implicitly recognised Israel by accepting UN Resolution 242, the starting point for peace talks accepted by most of the international community. The resolution calls for a withdrawal of Israeli forces from territories it occupied in the 1967 war and for security for all states in the region.

The Israeli Government, reeling from a string of diplomatic successes by the Palestine Liberation Organisation, has launched a fresh campaign to portray Mr Yassir Arafat, the PLO leader, as a terrorist still dedicated to the destruction of the Jewish state, Andrew Whitley writes from Jerusalem.

The thrust of the counter-offensive – mounted on the eve of today's Geneva meeting of the United Nations General Assembly – is that the PLO's current actions are all oriented towards influencing US public opinion, rather than making peace with Israel.

Wheeled out of the shadows yesterday to address a rare press conference on Mr Arafat's alleged misdeeds was Mr Yigal Carmon, counter-terrorism adviser to Prime Minister Yitzhak Shamir. Among other offences, the PLO chief was said to have personally ordered the torture and death of two Israeli sailors in Barcelona, in 1985, and the assassination in London last year of a Palestinian cartoonist, Mr Naji al-Ali.

The vast majority of Israelis would, if asked, probably agree with the government's assessment, echoed every day by newspaper columnists and editorial writers. But a growing body of opinion on the left, including parliamentary members of the Labour Party, is arguing that Israel would be foolish to dismiss these signs of change within the PLO so quickly.

Arafat: seeking to impress

Sri Lanka's economy totters

Industry says that commerce is at a virtual standstill, reports Mervyn de Silva

ENDURING civil unrest in Sri Lanka has undermined more than just the tourist industry. Top industrialists and bankers last Wednesday met Dr H. N. S. Karunatilleke, governor of the central bank, and Treasury officials to discuss how the state and commercial banks can help local businesses hit by a spectacular two-month campaign of economic disruption by the ultra-nationalist People's Liberation Front (JVP).

The campaign is part of the JVP's war against President Junius Jayewardene's 11-year-old regime before a presidential poll on December 19.

The meeting was held without Mr M. H. M. Naina Marikkar, the Finance Minister, who is ill. It followed representations made to President Jayewardene by the island's main chambers of trade and industry.

Mr Chandra Karunanahake, who led the delegation, said: "With industrial production and commercial activity brought to a virtual standstill and work in the plantations, mainly tea and rubber, seriously affected, we urged the President to consider urgent relief. We proposed that the banks reschedule our debts and extend credit facilities to tide over the crisis." The plea came after Sri Lanka's prime rate had risen to 16 per cent, with interest on non-essentials as high as 30 per cent.

Ironically, the JVP also appealed to banks in a letter last week to waive interest charges for three months on all loans given to individuals and small businesses.

Foreign bankers were unimpressed, considering that it was the JVP's series of lightning *hartals* (protest strikes) which robbed them of 18 working days in October and November.

The Government's budgetary calculations in November have also been affected by widespread dislocation. The deficit which was 11 per cent of gross domestic product is now 16 per cent thanks to supplementary votes on defence and non-collection of revenue.

With Prime Minister Ranasingha Premadasa, the Government candidate in next week's poll, promising to double the value of food stamps given to 1.5m families (nearly half the population) the Treasury is deeply worried about the prospects for 1989. It has kept the exchange rate steady at 32-33 rupees to $1, but businessmen predict that the dollar may reach 40 rupees.

The Treasury and the central bank have offered a package to help industrialists, export producers, tourist companies, hotel owners and other businessmen who face cash-flow problems. "We will introduce a three-month [October to January] moratorium on repayment of loans but it will be done on a case-by-case basis," said a senior official. "We have also agreed to ease the liquidity problem in general. As for exporters, especially garment manufacturers unable to keep deadlines on orders, we have asked for a detailed report," he said.

But the JVP's anti-Government agitation is wide-ranging and has struck deep. It spread quickly from the universities to the schools after a high school student was shot by the police. Rail tracks were damaged, transformers and power-lines blown up, employees in banks, government offices, the port and telecommunications department were forced to stay away from work, for days shops and hotels were closed. The banks have had a run on their cash reserves. Up to a point the central bank has helped.

Tourism in the newly developed resort area of the eastern province took a heavy beating in the recent past from the Tamil separatist insurgency. Now it is the turn of the beach hotels in the southern province, the JVP stronghold. After tea exports and remittances from expatriate workers in the Middle East, tourism has been the main exchange earner. Tourist traffic declined by about 20 per cent in 1987, revenue dropping from $52m in 1986 to $35m in 1987. A big promotion campaign was mounted last year after the India-Sri Lanka peace accord was signed and Mr Asker Moosajee, the tourist board chairman, had spoken of 1988 as the year of recovery.

By mid-November, when the JVP stepped up its violence on the coastal belt south of Colombo, and President Jayewardene ordered a tough counter-offensive by the army and the special task force nearly 7,000 tourists, mainly European, were asked to leave the island. With the south turning into a battlefield, tour operators have cancelled the 12 charters scheduled this winter.

The tea industry has also taken a blow. Tea production in the first six months of 1988 was 110m kg against 94m kg in the same period last year. According to the tea board, revenue from the first nine months of this year was an estimated 9bn rupees ($275m), about $60m more than the corresponding period in 1987. JVP rebels have nationalised tea estates in the south and driven away factory managers. It was only last week that the army recaptured these properties confiscated by the JVP.

Jayewardene may call in foreign troops against JVP

MR Junius Jayewardene, Sri Lanka's president, said yesterday that the Government would, if necessary, call on foreign military help to assist it in defeating the extremist Sinhalese movement, the People's Liberation Front (JVP), writes David Housego in Colombo.

He confirmed that the Government had already asked Britain to send Gurkha troops from Hong Kong but said that the project had now been dropped.

It is understood that the request was made recently but that Britain gave a polite refusal. Mr Jayewardene said that the Gurkha troops would have been used for "static" duties such as defending vital installations.

The President's remarks to journalists came after a night on which 55 people were reported to have been killed in the south of the country by JVP extremists – the highest toll in a 24-hour period since the violence began.

Mr Jayewardene also said it might be necessary to introduce a "general mobilisation" to halt the JVP's disruption of the economy by intimidating employees into stopping work. The effect of this would be to bring the country's workforce under wartime discipline. Those refusing to work would be subject to military law. A number of key sectors have already been declared essential services but this has not always ensured a return to work.

A general mobilisation has been one of the contingency plans under consideration by the Government – but Mr Jayewardene clearly has no intention of introducing it before he steps down after next Monday's presidential election. He will also leave to his successor any decision over whether to go further in seeking foreign military help.

Though the JVP still maintains control over large stretches of the rural south, the Government has had a good deal of success in reasserting its control in Colombo.

The President said that the military had assured him that they had sufficient security forces to ensure that elections went ahead on Monday. But he was less encouraging as to whether the environment was conducive to free elections. "That's the best we can do," he said. "People are trying to stop elections; they will succeed if we don't hold elections."

Mervyn de Silva adds: The Government will use emergency regulations to introduce deterrent measures, including the death penalty, for all offences connected with attempts to prevent people from voting, officials said at the weekend.

The JVP has urged voters to boycott the election, which it says is a gigantic fraud.

Mr Jayewardene is aware that a low turn-out will rob the election result of all credibility, especially given that Sri Lankans have maintained a high 75 per cent turnout in elections in the recent past.

Japan trade surplus jumps 37%

By Ian Rodger in Tokyo

JAPAN'S trade surplus in November soared to $6.5bn, 37 per cent higher than in November 1987, as the recent resurgence of exports gathered pace.

The Ministry of Finance said it was still too early to conclude that the trade adjustment process had been reversed, but some private sector economists in Tokyo thought otherwise. "The adjustment process is dead," said Mr Ken Courtis of DB Capital Markets.

The customs cleared figures showed that Japan's surpluses with all its major trading partners were on a firmly upward trend. The surplus with the US was up 5 per cent to $4.4bn while that with the European Communities jumped 37 per cent to $1.5bn. The surplus with South-East Asian countries more than doubled to $1.6bn.

Some economists are now forecasting an increase in the trade surplus in fiscal 1989-90, something which would be a great embarrassment to the Japanese Government. UBS, Philips and Drew, for example, is forecasting a trade surplus of $99bn in the next fiscal year on a balance of payments basis, compared with a projected $93bn in the current fiscal year.

NRI & NCC, the research arm of Nomura Securities, which published its forecast yesterday, was looking for a marginal improvement to $91.2bn.

Mr Hirohiko Okumura, chief economist of NRI & NCC, said the increasing production of Japanese manufacturers' goods, such as cars and consumer electronic products, in overseas factories would have a growing impact on the country's trade figures next year. Also, US exports would increase as new production capacity was installed there.

In the meantime, exports of Japanese capital goods were accelerating to equip those factories.

Exports of metallic products were up 30.9 per cent in November, while electric and ordinary machinery exports were up 27 per cent and 28 per cent respectively.

S African central bank bullish

By Jim Jones in Johannesburg

SOUTH AFRICA should generate fairly substantial current account surpluses and satisfactory economic growth next year, the country's Reserve Bank believes.

The forecast, made in the Bank's December quarterly bulletin, comes after three quarters in which strong domestic demand stimulated imports and cut trade surpluses as relatively low real interest rates were leading to greater capital outflows.

The Bank qualifies its forecast by saying appropriate monetary and fiscal policies will continue to be needed to achieve the desired balance between domestic output and demand. It sees positive implications in the fact that the government's R3.44 bn deficit before borrowing in the first seven months of fiscal 1988-89 was 44 per cent smaller than in the corresponding period of fiscal 1987-88.

Nevertheless, government spending represented a comparatively high and relatively static 18.5 percent of gross domestic product in the third quarter of calendar 1988. Current account surpluses have been forecast on the assumption that demand-restraining fiscal, monetary and credit measures introduced at the middle of this year will "impinge gradually more strongly" on spending; that households and businesses appreciate the need for restrictive policies and will adjust their spending plans accordingly; and that a return to positive real interest rates will deter consumers from spending.

N Korea appoints replacement premier

NORTH KOREA appointed politburo member Yon Hyong-muk as premier yesterday, possibly due to the country's poor economic performance in recent years, Reuter reports from Tokyo.

The North Korean News Agency, monitored in Tokyo, said Premier Li Gun-mo had resigned due to poor health after two years in office.

Analysts said they expected no changes in policy in North Korea, one of the world's most isolated countries, ruled by President Kim Il-Sung and his son, Kim Jong-Il.

A senior researcher at Seoul's privately-run Institute of North Korea Studies said Pyongyang had suffered setbacks in a series of seven-year economic development plans and this could have been a reason for the latest reshuffle.

"Li Gun-mo's economic policy met the same fate except for the building of a few, largely symbolic, skyscrapers in Pyongyang," said Mr Park Suk-kyun. Little is known about the new premier's background. He is understood to be 63 years old and was a vice-premier and became a secretary of the ruling Workers' Party in late 1986. "His nomination cannot foreshadow an economic opening-up because Yon is an even stronger believer in self-reliance [than Li]," said Mr Masao Okonogi, a politics professor in Tokyo.

Taipei reveals jet fighter

TAIWAN has revealed a long-awaited fighter plane that the Government hopes will provide additional air defence against a possible attack by China, writes Bob King.

But the roll-out of the new aircraft, named in honour of the late President Chiang Ching-kuo, did not include a flying demonstration or details of the aircraft's capabilities.

Taiwan has for several years tried to buy advanced aircraft from the US, whose relationship with Peking, which still claims sovereignty over Taiwan, prevented the sales.

That relationship, however, apparently does not rule out technological co-operation and technology transfers – especially by private companies.

The 1987-1988 edition of Jane's All the World's Aircraft describes the new fighter as a "supersonic lightweight air defence fighter" similar to the F-20 Tigershark designed by Northrop of the US. A local newspaper said that 250 of the fighters would be built.

Unionists on treason charges granted bail

By Anthony Robinson in Johannesburg

MR Moses Mayekiso and four other black trade unionists detained under emergency laws and put on trial for treason were granted bail of up to R10,000 yesterday after more than 30 months in detention. Last month their lengthy trial was adjourned until February 1.

Yesterday the attorney general revoked a previous ruling which prevented defence lawyers applying for bail.

The five senior officials of the metalworkers' union have been barred from returning to Alexandra, an African National Congress stronghold next door to one of the wealthiest white suburbs of Johannesburg, where the state alleges they played a key role in setting up an alternative township government during the 1985 "unrest".

The granting of bail is expected partially to defuse an international campaign for the five's release.

Amnesty accuses Iran of secret mass executions

IRANIAN authorities have carried out the biggest wave of secret political executions since the early 1980s, Amnesty International said yesterday, Reuter reports from London.

The London-based international human rights organisation said it had indisputable evidence of mass killings, coming from relatives of executed prisoners and statements by authorities.

It said it had received information on more than 300 people executed since July but that the true total could run into thousands.

"Nobody really knows how many people have been put to death, just as nobody knows when the killing will stop, or who will be next to die," Amnesty said.

"Our fears are heightened because thousands of political prisoners are still held in Iran and because many of those executed recently had been imprisoned without trial, or were serving long prison sentences imposed after unfair trials."

Amnesty believed the new wave of killings to be the largest since the early 1980s when thousands of political prisoners were executed after summary, or no, trials.

Those killed in the latest wave included suspected political opponents kept in jail or re-arrested after serving sentences, and left-wing and Kurdish opposition activists, it said.

Those put to death ranged from secondary school students seized in 1981 and 1982 to doctors, social scientists and mullahs suspected of backing Ayatollah Hussein Ali Montazeri, designated to succeed Iran's leader Ayatollah Ruhollah Khomeini.

Secret killings have taken place in prisons in Tehran, Tabriz, Mashhad and Shiraz, Amnesty said.

Gulf 'misunderstanding'

IRANIAN gunboats stopped a British supertanker in the Gulf yesterday to the surprise of the region's shipping community, but shipping sources dimissed the incident as a misunderstanding, Reuter reports.

They said there was no apparent reason for the interception, the first since a ceasefire on August 20 ended fighting in the Iran-Iraq war.

The gunboat's crew boarded the 270,000-tonne tanker British Trident in international waters near the Iranian island of Abu Musa, about 35 miles from the United Arab Emirates town of Sharjah, the sources said.

Lloyds shipping service in London said the Iranians inspected the Trident's papers and then left.

Taiwan rules on second marriages

By Bob King in Taipei

TAIWAN'S Supreme Court has ruled that a second marriage by a Nationalist partisan who fled the mainland 40 years ago is not valid – because his first wife, whom he did not divorce, is still alive.

The decision may spell big problems for thousands of other Chinese on Taiwan who re-married here after it became clear that the Nationalists' dream of returning to the mainland would not be realised.

The case also points out the sort of legal snarls that can develop after four decades during which both the Nationalists on Taiwan and the Communists in the mainland regarded each other as renegade regimes. Now that a quiet detente is underway, problems of inheritance, property, and other matters such as re-marriages are making headlines.

The present suit began when a Chinese woman now living in Hong Kong learned that her husband, who has lived in Taiwan for almost four decades, had re-married here.

Queensland premier battles to regain initiative

By Chris Sherwell in Sydney

QUEENSLAND'S National Party state government, under pressure over allegations of past corruption, moved to regain the initiative yesterday by announcing a new economic development strategy, promising the appointment of a special prosecutor and hinting at a cabinet reshuffle.

The moves came from Mr Mike Ahern, the 46-year-old state premier, and followed last Friday's conclusion of testimony to the Fitzgerald Commission by his predecessor, Sir Joh Bjelke-Petersen, who was premier for almost twenty years until 1987.

Over a period of six days, 77-year-old Sir Joh rejected allegations that contracts had been awarded to companies in return for party donations, said he did not suspect corruption had reached top levels of the Queensland police force and insisted he never wanted to halt the Fitzgerald inquiry once he set it up.

But he acknowledged that businessmen occasionally brought to his office bags of cash – in one case A$110,000 from "a gentleman from Hong Kong" – for "political purposes". Documents presented to the inquiry suggested the award of certain contracts came at the same time as the successful companies made donations, but Sir Joh said he knew nothing of them.

On the last day, he was also confronted with allegations that some of his personal and family company dealings might have been related to government decisions. But he denied any suggestion of personal impropriety.

Sir Joh was the Fitzgerald inquiry's 325th witness, and his evidence finally brought its 18 months of investigations and public hearings to a close. With Mr Tony Fitzgerald's report not due until May, Mr Ahern yesterday acted to recover the central political ground.

His economic development strategy is contained in a 83-page document entitled "Quality Queensland – Building on Strength". While recognising the importance to Queensland of mining, agriculture and tourism, it points to increased emphasis on certain types of manufacturing and services. It also promises more deregulation, less red tape and simpler local tax structures.

The announcement of a special prosecutor to follow up the Fitzgerald inquiry is expected later this week. Mr Fitzgerald is widely expected to recommend the establishment of a permanent anti-corruption commission. Mr Ahern is also expected to reshuffle his cabinet in preparation for an election due next year.

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AMERICAN NEWS

Bush to be asked to discuss Latin American debts

By Ivo Dawnay in Rio de Janeiro

LATIN American leaders are expected to seek an early meeting with US President-elect George Bush, to underline the importance of dealing with the five-year-old regional debt crisis.

The initiative was discussed yesterday in Rio de Janeiro, where Finance Ministers of seven Latin American countries were examining three proposals for a new strategy to reduce the burden of their foreign debts, now totalling more than $300bn (£162bn).

But Mr Mailson da Nobrega, the Brazilian Finance Minister hosting the two-day meeting, insisted there was no intention of trying to create a "debtors' cartel".

"We don't want debt forgiveness, but we consider that a major part of this debt is unpayable," he said.

The initiative – the first significant attempt by the debtors to co-ordinate a joint position – aims to capitalise on the coming to office of a new US administration and a growing perception that creditors and international institutions are now ready to consider unconventional solutions.

It was launched last October in Punta del Este, Uruguay, at a meeting of seven presidents of the Group of Eight, the Latin American lobby that unites Argentina, Brazil, Colombia, Mexico, Peru, Uruguay and Venezuela. Panama, the eighth member, is temporarily suspended following Gen Manuel Noriega's ousting of President Eric Delvalle.

Brazilian finance ministry officials said no detailed exposition of the ministers' proposals would be released before heads of government had examined the meeting's conclusions. However, it is expected that the outcome will include an early approach to Mr Bush for multilateral talks on the debt issue.

The three approaches, not necessarily mutually exclusive, under discussion yesterday included:

● an examination of financial market measures to reduce the total stock of debt, including conversion for investment and as payment for debtors' exports, and exit bonds;

● the creation of an international agency under the auspices of the World Bank or International Monetary Fund, and capitalised by the G7 group of industrialised nations, to redeem debt in the secondary market, passing the discount on to the debtor;

● the introduction of so-called "bonus bonds", guaranteed by the World Bank, that would offer security in return for below-market interest rates.

All three proposals are already known to debt specialists,and each has encountered resistance from either creditor banks or institutions or governments. The ministers also discussed ways to reduce the $12bn of debts owed by these countries to one another.

Debt-for-export conversions, for example, are likely to attract accusations of acting as subsidies from debtors' competitors in world markets. Meanwhile, an agency to buy debt at secondary market prices is likely to be opposed by many Western governments, including the UK, as passing the banks' problem on to taxpayers.

Despite objections, however, there is a growing view that the future of Latin America's democracies may depend on the developed world giving some ground to the debtors.

● A series of earth tremors in the region of Brazil's only functioning nuclear reactor have prompted the mayor to put emergency services on alert.

Since the beginning of the month, 31 small-scale tremors have been reported in the area of Angra dos Reis, in Rio de Janeiro state, the location of the Angra-1 Westinghouse-designed plant and site for two new pressurised water reactors under construction in a joint venture between Brazil and the West German engineers, Kraftwerke Union.

While experts say none of the tremors has exceeded two points on the Richter scale, their coincidence with the tragedy in Soviet Armenia is expected to fuel continuing protests against the plants by an increasingly vociferous local environmentalist lobby.

Trinidad courts foreign funds to stimulate recovery

Canute James examines an investment plan to change the economic climate in the Caribbean republic

AS part of its effort to halt a slide in the economy, the government of Trinidad and Tobago has launched an ambitious investment programme aimed at pumping about $1bn into several new industrial projects over the next three years.

Several of the projects are based on the natural gas and petrochemical sectors to which the government has been looking to ease the economy's heavy dependence on oil.

The programme is also intended to reverse a decline in investment levels, which have fallen from 28.3 per cent of GDP in 1982 to 20.1 per cent last year. The Government wants to lift this to 28-30 per cent, but admits this could be difficult, and so is aiming for 24 per cent by 1991.

The investments include a project to recover liquids from natural gas, a methanol plant, an ammonia plant, and the exploitation of new gas fields to fuel the growing petro-chemical sector.

Mr Ray Robinson, the Prime Minister and Finance Minister of the Caribbean republic of 1.1m people, says the programme is aiming at investments of $244.7m (£132m) next year, $270.5m in 1990 and $310.5m in 1991.

"These projects must be implemented if Trinidad and Tobago is to overcome the current contraction in the economy and is to grow again," the Prime Minister said.

The economy turns on oil, but low prices and falling output have led to a fall in oil revenues from $1.7bn in 1981 to $538m last year, and are projected at $315m for this year. Foreign reserves have tumbled from $3bn at the end of 1982 to $20m at the end of June. The economy contracted by 6.1 per cent last year after declining 4.5 per cent in 1986.

"We are expecting that 44 per cent of the investment funds will be met from domestic resources, with 56 per cent

Ray Robinson: pinning hopes on investment to encourage an economic turnaround

from foreign agencies," Mr Robinson explained.

Trinidad and Tobago has proven gas reserves of 16.6 trillion (million million) cubic feet, with probable further reserves of 22 trillion cu ft.

Current production is just under 600m cu ft per day, and is expected to increase 50 per cent in three years.

The participants in the project include a joint venture created by Conoco, a subsidiary of DuPont, and Pan West of Texas, along with the state-owned National Gas Company. The start of construction is scheduled for the first quarter of next year, with completion set for late 1990.

In addition the National Energy Corporation of Trinidad and Tobago is concluding an analysis of the operation of a plant to manufacture methyl tertiary butyl ether (MTBE), which is used as an octane enhancer for petrol.

Methanol production, which is limited to a single state-owned plant, will be expanded with another plant to be located at Point Fortin in southern Trinidad. The project will cost $305m, and the partners are Union Carbide of the US, Wimpey Overseas of the UK and Trintoc, an oil company owned by the Trinidad and Tobago Government.

The new plant will have a rated capacity of 2,200 tonnes per day and work is scheduled to start in the first quarter of next year, with a deadline for completion in the second quarter of 1992.

The investment programme includes a $250m ammonia plant – the third in the country – to be located on an industrial estate in south Trinidad, which will have a daily capacity of 1,500 tonnes.

Three state companies, Trintoc, Trintopec and NGC, are negotiating a $120m loan from Nissho Iwai, the Japanese bankers, to help finance a $200m project to exploit a new gas field off Trinidad's south-east coast.

McDermott Corporation of the US has already been awarded a $52m contract to build a platform for the project, and the new field is expected to yield about 350m cubic feet of gas per day and 15,000 barrels of condensate per day.

Other projects include the development of heavy oil reserves, the installation of gas compression facilities and the upgrading of oil refineries.

The domestic resources for the investment programme will come from the country's state enterprises, according to the Government. But Mr Robinson's administration could find it more difficult to raise the remainder from overseas.

"The sources we are looking at include multilateral agencies such as the World Bank and the International Finance Corporation," explained the Prime Minister.

The Government's medium-term economic programme is optimistic about the investment plans. "These targets may be exceeded to the extent that we succeed in attracting inflows of foreign capital in excess of the modest amounts it is now deemed prudent to project."

Pay rises likely to follow Argentine mutiny

By Gary Mead in Buenos Aires

ARGENTINA'S armed forces are likely to be granted wage increases just weeks after a military rebellion with higher pay as one of its objectives.

The forces, both serving and retired, are expected to get pay rises of some 20 per cent before the end of the month, as well as an individual lump sum payment of 1500 australs (£55), following a joint military-civilian meeting yesterday. A further rise of 10 per cent in January is believed to be under consideration.

The pay increase follows a brief mutiny at the beginning of December, when 500 commandos took control of two army bases in the province of Buenos Aires, and several other army units around the country followed suit. Among the demands of rebel leader Col Mohamed Ali Seineldin were more pay and more spending on equipment and weaponry.

Throughout the four-day crisis the Government said no concessions were granted to the rebels, though both rebel sources and opposition Peronist politicians reject this. Even if the proposed pay increases were planned some weeks ago, as senior Radical Party politicians claimed yesterday, an already sceptical general public is likely to believe that the mutiny helped speed matters.

Military pay went up by 20 per cent in August and 12 per cent more in October. The August increase followed the Government's decision to increase public sector wages by 25 per cent and the price of state-owned goods and services by 30 per cent.

There are signs that government control over inflation is starting to slip, six months before the presidential election. While inflation was brought down to 5.7 per cent in November, analysts suggest that December will see it begin to climb towards 10 per cent.

Striking Peru miners to talk with Government

By Veronica Baruffati in Lima

REPRESENTATIVES of the Peruvian Government and leaders of the Miners' Federation were due to meet last night, raising hopes that an agreement to end the 58-day miners' strike may be in sight.

Mr Luis Negreiros, secretary-general of Peru's ruling APRA party, met miners' leaders at the weekend to discuss ending a strike which has cost more than $400m (£222m) in lost export revenue.

The agreement, which has still to be signed, recognises the Miners' Federation's rights to industry-wide demands, something the National Mining Society, the mine-owners' organisation, has consistently opposed because they overlap with local miners' unions and demands. The mining companies refuse to deal with two levels of unions.

Mr Saul Cantoral, secretary general of the federation, said: "If we sign the final agreement with the Government we shall call off the strike immediately. Other points, such as the early retirement of the miners and a guarantee that no retaliation will be taken against strikers, are minor and can be discussed later".

The National Mining Society, however, does not see the light at the end of the tunnel yet. They are perplexed at the Government's willingness to sign an agreement identical to the one the miners wanted them to sign 58 days ago.

A spokesman said the society would send a delegation to speak with government representatives in an attempt to unravel the mysterious negotiations.

Some interpret the Government's decision as an attempt at giving the miners an easy exit without losing face, but the mining companies are unlikely to accept this.

The Mining Society has mounted a huge publicity campaign against the strike, accusing federation leaders of being manipulated by Sendero Luminoso rebels.

There are conflicting reports on how many miners have already picked up tools and returned to work. The Mining Society's figures of over 40 per cent of miners is denied emphatically by the federation. The Government has made no comment.

Big PRI poll victories prompt claims of fraud

By Richard Johns in Mexico City

THE Institutional Revolutionary Party, Mexico's ruling party, has been declared the winner of elections for the governorship of the state of Jalisco and to have gained all 20 seats in the legislature contested by a straight vote.

The poll, nine days ago, was the first big test of President Carlos Salinas de Gortari's commitment to greater democracy.

Results announced at the weekend by the State Electoral Commission strongly support allegations of electoral fraud made by the opposition immediately after the vote.

The outcome in Jalisco, where the PRI won 42 per cent of votes cast in the presidential race, will inevitably complicate and possibly abort the dialogue Mr Salinas is seeking with the two main opposition groups primarily as a means of achieving a solid consensus behind his economic policies.

The official count gave Mr Guillermo Cossio Vidaurri, the PRI candidate, 518,447 votes, over 140,000 more than Mr Salinas won in the state in the presidential election on July 6.

The commission earlier said the PRI had won 120 of 124 municipalities, including the state capital Guadalajara, where the National Action Party (PAN) beat the ruling party by a clear margin in the general elections and was confident of winning again.

Nevertheless, the rate of abstention was high at 65 per cent, providing further evidence of widespread disillusionment with the democratic process.

"Magic or miracle,this result is authentic proof of electoral fraud," says a writer in the latest edition of the weekly magazine El Proceso, pointing out that the PRI had doubled its share of the vote in a period of five months.

● An estimated 70 people, including 14 children, were killed and about 100 injured, when five tons of illegally-stored fireworks exploded in a market south of Mexico City.

WORLD TRADE NEWS

China textiles sales may rise under EC accord

By William Dawkins in Brussels

CHINA and the European Community have signed a four-year accord governing trade in textiles between the two sides, intended to replace the present one after it expires at the end of the year.

The deal offers better access to the Community market for China, already one of Europe's most powerful suppliers of textiles, with the result that total imports of textiles into the EC, including sales from all other sources, could rise by 1 per cent. For that reason, the accord is likely to run into criticism from big EC textile producing countries such as Portugal, Greece and Italy.

Textiles represent one-third of Chinese exports to the EC, and its sales in that sector are growing significantly faster than China's flourishing trade with the Community as a whole.

China's exports of products covered by the Multi-Fibre Agreement grew from Ecu 893m (£ 578m) in 1986 to Ecu 1.2bn last year; EC textiles sales to China rose only from Ecu 100m to Ecu 111m.

The accord specifies by individual product the amount of raw material China can sell to the EC and gives preference to Community textile exporters on the Chinese market.

While the deal increases Chinese export quotas for individual products, it also sets new limits for synthetic yarn and knitted gloves at EC level and sacks of man-made fibres and suits at regional level.

Other products are also to be covered by quotas for the first time, said European Commission officials.

The deal was signed in Brussels by Li Guodong, deputy director general at the Chinese Ministry of Foreign Economic Relations, and Mr Guillaume Hoffmann, director for textile negotiations at the Commission.

Australia aims to redeem its image with foreign investors

Chris Sherwell on the seemingly uphill task of attracting Japanese investment Down Under

MR TAKEO SONO has one of the hardest jobs in Australian officialdom: persuading Japanese businessmen to invest in manufacturing and services Down Under. Three months into his appointment, he readily admits the task is "not so easy".

Mr Sono, aged 55, was chosen through a lengthy recruitment process by Austrade, the federal government agency created to promote Australian exports and so help improve the country's chronically weak balance of payments performance.

His three-year consultancy follows Austrade's decision to add a foreign investment promotion programme to its activities.

Special investment Trade Commissioners have already been established in New York and Frankfurt to cover North America and Western Europe. Mr Sono will be based in Tokyo doing the same for Japan.

His connection with Australia is unusual, in that he was born in Sydney in 1933 and spent the first eight years of his life there. His father worked for Kanematsu, the Japanese trading company, and he followed his father's footsteps, working with the group from 1952.

Apart from his knowledge of Australia, which he has visited four times since he left in 1941, Mr Sono brings to the job his experience of working abroad for 10 years, in Yugoslavia, Portugal, Turkey and China. This week he concludes an eight-week visit during which he has received in-depth briefings from federal and state governments and travelled around Australia's rim.

Speaking yesterday in Sydney, he was the first to acknowledge the challenge of attracting new Japanese investment Down Under when there are powerful investment promotion campaigns being run by countries as diverse as Canada, Ireland and Singapore, and some Australians are themselves questioning the value of foreign investment, especially from Asia.

Most of Japan's big companies already have a presence in Australia, and some – the trading giants, for example, or construction groups such as Kumagai Gumi – have a considerable profile. The aim is to attract still more.

The latest figures, for the year to March 1988, show Japanese direct investment in Australia was $1.2bn (£645m), or around 3.7 per cent of a total of $33.3bn invested abroad.

This was a sharp improvement on the previous year, but one-third went into real estate and some into portfolio investment.

The target for Austrade, and Mr Sono, is manufacturing and services. Of the many possibilities, the best prospects seem to lie in the tourist sector.

The financial and insurance sectors are also seen as hopeful areas in the wake of Australia's economic deregulation of recent years. But the really hard work lies with manufacturing, a sector which is often seen by Japanese businessmen as suffering from high costs, low productivity, poor quality control and unreliable delivery times.

In fact much of this is changing, and it is Mr Sono's task to persuade potential Japanese investors to demonstrate how. In particular, he must show how Australia's improved export competitiveness can help overcome its most obvious problem – the small local market, springing from its 16m population.

His first objective, he says, is to counter misunderstandings and ignorance among Japanese and Australian businessmen about each others' countries. Then he wants to "matchmake" the estimated 8,000 Australian manufacturers seeking foreign partners and 100 Japanese manufacturers who, according to a Japan External Trade Organisation (Jetro) survey, are interested in Australia.

Austrade has a list of "targeted" Australian industries in which it would like to see foreign investment, and these will obviously receive the most emphasis. They include medical and scientific equipment, biotechnology, advanced materials, the automotive industry and the processing of rural and mineral raw materials.

Fortunately for Mr Sono, Australian restrictions on foreign investment are much less of a problem these days, since most have been relaxed over recent years. Only investment in certain forms of real estate and mining now face significant hurdles.

On the other hand the automotive industry and the textile and clothing industry, both mentioned by Mr Sono as sectors where Japanese companies could do well, remain two of Australia's more protected industries.

Though this too is changing, the fact is that, in Australia as elsewhere, it is clear profit opportunities – together with attractive tax regimes – which are the most potent determinants of foreign investment. For all Austrade's efforts, government promotions are likely to be of only marginal benefit.

Poles forge links with Soviet markets

POLAND'S private companies are taking advantage of the decentralisation in Soviet foreign trade and beginning to work directly with Soviet state sector companies and even privately owned co-operatives, writes Christopher Bobinski in Warsaw.

This follows recent agreements between Poland and the Soviet Union permitting barter trading outside the confines of rigidly fixed five-year plans.

The new arrangements, which include Poland's state sector, allow partners to avoid the formidable barrier of the Soviet rouble which is not only non-convertible but overvalued against the US dollar.

Much of the trade now developing is conducted under the auspices of exchanges between districts adjoining the Polish Soviet border. But "twin" towns are included.

Last year it became clear that the ideological barriers were coming down when the Polishsector made up of small Western-owned companies, set up under laws passed at the end of the 1970s, put on a trade show in Moscow as well as in Minsk, the capital of Soviet Byelo- Russia. But now wholly. Polish-owned companies are getting involved.

Moscow's trade partners query new rules on joint ventures

By Quentin Peel in Moscow

FOREIGN businessmen in Moscow were yesterday urgently seeking clarification of the latest Soviet decree on foreign trade and investment, including new concessions for joint ventures, and a promised 50 per cent devaluation of the rouble for trade transactions.

There was a general welcome for the easing of restrictions on joint ventures, although potential foreign partners argue that they fail to tackle the questions of guaranteed repatriation of profits and a guarantee of investments.

However the announcement of foreign currency auctions, a devaluation of the rouble for trade transactions from January 1, 1990, and a second currency adjustment in 1991, has left many matters unclear.

Nor is it certain just how much freedom Soviet enterprises will have to retain their export earnings in hard currency – and use them as they like for foreign imports.

The Soviet authorities have announced five concessions for joint ventures:

● No maximum level for foreign participation: this will be fixed in writing by negotiation between the Soviet and foreign partners.

● Permission for the managing director or chairman to be a foreigner, instead of the present insistence that those jobs be reserved for Soviet citizens.

● Relaxation of Soviet labour laws affecting joint ventures to allow hiring and firing, and bonuses to be paid (in roubles) simply by agreement between the partners.

● Customs duty on production equipment to be reduced "to a minimum" or cancelled altogether.

● Payment for foreign workers' accommodation to be payable in roubles, instead of foreign currency as at present.

● The Ministry of Finance given the discretion to waive taxation of repatriated profits for a set period.

What the concessions mean is that the fine print of joint ventures will in future depend even more on specific negotiations, without the backing of clear legal provisions.

What they do not give is any guarantee that profits can be remitted abroad unless the joint venture has itself earned the necessary foreign exchange from exports – something many businessmen believe will be difficult, given erratic Soviet supplies and quality standards.

Businessmen are sceptical that promised currency auctions to be held by Vneshekonombank, the Soviet bank for foreign economic transactions, will significantly ease the present tight restrictions on foreign exchange.

The promise to do away by 1991 with the hugely cumbersome system of currency "coefficients", which applies some 3,000 different exchange rates depending on the sector and the foreign currency to be bought or sold, is also welcomed. However there has been no explanation of how Soviet enterprises will switch from the coefficient system to a unified but devalued exchange rate for the rouble.

All that is clear is that the rouble will be adjusted downwards, by 50 per cent, on January 1, 1990, for those transactions classified as trade transactions, and a "new currency rate" will be established one year later, as the coefficients are phased out.

Dubai airline to enlarge Airbus fleet

By Robin Allen in Dubai

DUBAI'S airline Emirates is buying three extended-range Airbus A300-600R aircraft from Airbus Industrie under an agreement signed yesterday.

The deal will be worth $330m including spares and additional engines. The first aircraft are to be delivered in 1990 for use on the European and Asian routes; the third in 1991.

The Airbuses are in addition to the A300-600R already ordered and due to be delivered next year. The purchases will almost double Emirates' fleet of passenger aircraft in line with the company's expansion plans within the Middle East and to Asia.

The airline currently operates two A310-300s, an A300-600 and two advanced Boeing 727-200s, serving 12 destinations from Dubai.

Bahrain-based Gulf Air, owned by the governments of Abu Dhabi, Bahrain, Oman, and Qatar, has just taken delivery of its second Boeing 767-300ER. Four similar aircraft are on order for delivery next year, enabling the company to retire its two leased Lockheed Tristar 1011s.

These orders for new aircraft are a measure of the intense competition expected over the next decade in the aerospace industry. The competition is reflected in the number of confirmed acceptances – by 150 companies so far from 25 countries - for the International Aerospace Exhibition Conference in Dubai from January 29 until February 2.

Air defence industries, including companies from China and possibly the Soviet Union, will be participating for the first time.

Leading Western exhibitors include the UK's Defence Export Services Organisation.

Jordan puts squeeze on Palestinian farm imports

JORDAN appears to be imposing an economic squeeze on the Israeli-occupied West Bank and Gaza Strip, after last month's declaration by the Palestine Liberation Organisation that the regions form an independent state, Andrew Whitley writes from Jerusalem.

A ban on the import into Jordan of olive oil – the West Bank's most valuable agricultural product - is already in force. Palestinian farmers fear that the export of fruits and vegetables across the Jordan river will be severely curtailed during the winter season.

Quota restrictions on bananas, for instance, were slashed by half on October 1. As with olive oil, the explanation given by Jordanian officials was domestic self-sufficiency. A delegation from the Union of Agricultural Co-operatives in the West Bank was recently told that the territory would be treated as a foreign state for trade purposes. Fresh trade agreements would have to be negotiated, the Palestinians were told.

Confirming the ban on olive oil purchases, Mr Marwan al-Humoud, Jordan's Agriculture Minister, said last Thursday that unlimited quantities could still be shipped through Jordan to other markets. Another official confirmed that certificates of origin would continue to be issued to goods from the occupied territories.

Caught in a cleft stick between Israel's refusal to permit PLO bodies to take over the marketing of Palestinian goods and Jordan's insistence that the PLO make new arrangements, many Palestinian farmers face financial ruin.

Tokyo and Moscow agree fish quotas

JAPAN and the Soviet Union have concluded negotiations on 1989 fishing quotas in each other's 200-mile economic waters, AP reports from Tokyo.

Japan has agreed to a 15.8 per cent increase in "fishery co-operation fees", an official of the international division of Japan's Fisheries Agency said yesterday. Under the accord, reached on Sunday, the 1989 quota for each country was kept at this year's level of 210,000 tons.

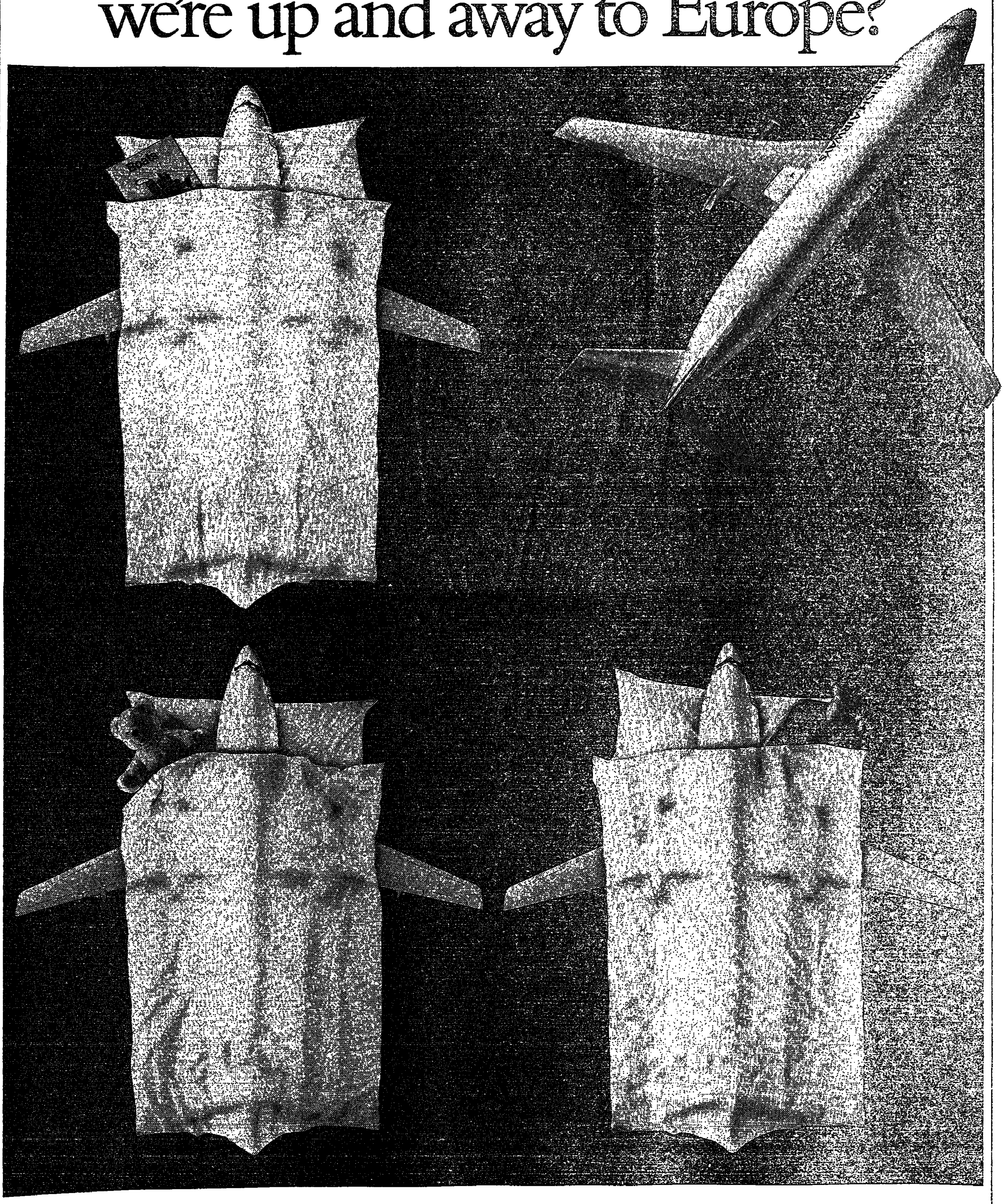
Japanese fishermen will be allowed to catch an additional 100,000 tons of fish in Soviet waters in exchange for a Y1.98bn (£8.8m) fishery co-operation fee to be paid to the Soviet Government. The amount is 15.8 per cent higher than in 1988.

Japan began to pay the Soviet Union for part of its annual haul in the Soviet zone off northern Japan in 1987.

The accord also allows Japan to buy up to 100,000 tons of pollack from Soviet fishermen at sea in 1989.

The two sides hold fishing talks each year under an agreement reached in 1984.

What are other airlines up to when we're up and away to Europe?



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UK NEWS

E London cable group gets £10m US injection

By Raymond Snoddy

EAST London Telecommunications, the cable television company with a franchise covering the Docklands in east London, has received a large injection of finance from the US.

Pacific Telesis, California telephone group, one of the companies formed after the break-up of Bell, and Jones Intercable of Denver, large US cable operator, are putting in an immediate £10m into the troubled UK company.

They will also help to fund the completion of the network which will eventually make cable available to 145,000 homes in the east London boroughs of Tower Hamlets and Newham for an additional £30m. They will each hold about 45 per cent of a Channel Islands trust controlling the reconstructed company.

Mr Ian Hinton, chairman of ELT, which is adding telecommunications services to the Docklands through Mercury Communications, the group competing with British Telecom, as well as entertainment channels, confirmed that the new investors would help to fund applications for further London franchises.

"I'm delighted with the outcome of the negotiations with our partners. It will now enable us to develop the franchise to the full and expand the business by applying for further franchises," Mr Hinton said.

ELT, which began transmitting in April 1987, has had serious financial problems and declines to reveal the number of its subscribers.

The backing of the two US groups could amount to more than £100m over several years. ELT has already applied for the franchise covering some 225,000 homes in the south-east towns of Barking, Dagenham, Redbridge and Bexley and is considering applying for the franchise for the south east London areas of Greenwich and Lewisham franchise, covering 170,000 homes.

The Pacific Telesis-Jones investment is the latest move by US cable and financial interests into the UK following significant investments by United Cable and PayneWebber.

The stream of US money, however, is threatened by the uncertainty created by the government's policy document on the future of broadcasting.

Although the cable industry has not yet been firmly established in the UK, the Government is proposing that cable network owners should in future not be allowed to sell the channels of programmes transmitted by the network.

Mr Andrew Simms (above) Green Party candidate in Thursday's by-election for Epping Forest, north-east London constituency, yesterday attacked the Government for its handling of environmental issues.

"The ill health of the forest has brought to light much more than just a dying woodland. It has exposed the failure of the Government to produce sustainable policies capable of improving the quality of life," he said.

Photograph by Alan Harper

Komatsu to invest £7m in rapid UK expansion

By Ian Hamilton Fazey, Northern Correspondent

KOMATSU, Japanese heavy machinery manufacturer, is to expand its factory in Birtley, north-east England, to make wheel loaders as well as excavators less than two years after starting manufacturing in the UK.

The investment is worth £7m and will help to create at least 60 jobs. The factory's sales should pass an annual £100m by the end of next year.

Wheel loaders are used to move earth or other material, rather than dig it out of the ground. Komatsu will make four models in the UK.

The company will start selling the range throughout Europe early next year. Mr Clive Morton, director of personnel and administration, said yesterday that the machines would be European products, with at least 70 per cent local content.

They will use components from UK, West German, French, Belgian or Spanish companies. The wheel loader expansion will bring Komatsu's total investment so far to £21m.

Bank of Wales structure reorganised to aid growth

By Anthony Moreton, Welsh Correspondent

THE BANK of Wales has reorganised its management structure to take advantage of overseas and domestic opportunities for the growing Welsh economy.

Mr Eric Crawford, chief executive of the bank, which is 75 per cent owned by the Bank of Scotland, said in Cardiff yesterday that the Bank of Wales had expanded more rapidly in the past 12 months than at any previous time.

The intention was not to chase the volume market in personal financial services but to develop a range of specialist services in niche areas.

Mr Ken Cassidy has been recruited from the Midland Bank, UK clearing bank, as assistant general manager responsible for international services and risk management – a department which covers domestic and overseas banking.

A Treasury team has been created under Mr Gareth Jones which will be linked to London's electronic system for same-day clearing and a London office has been opened.

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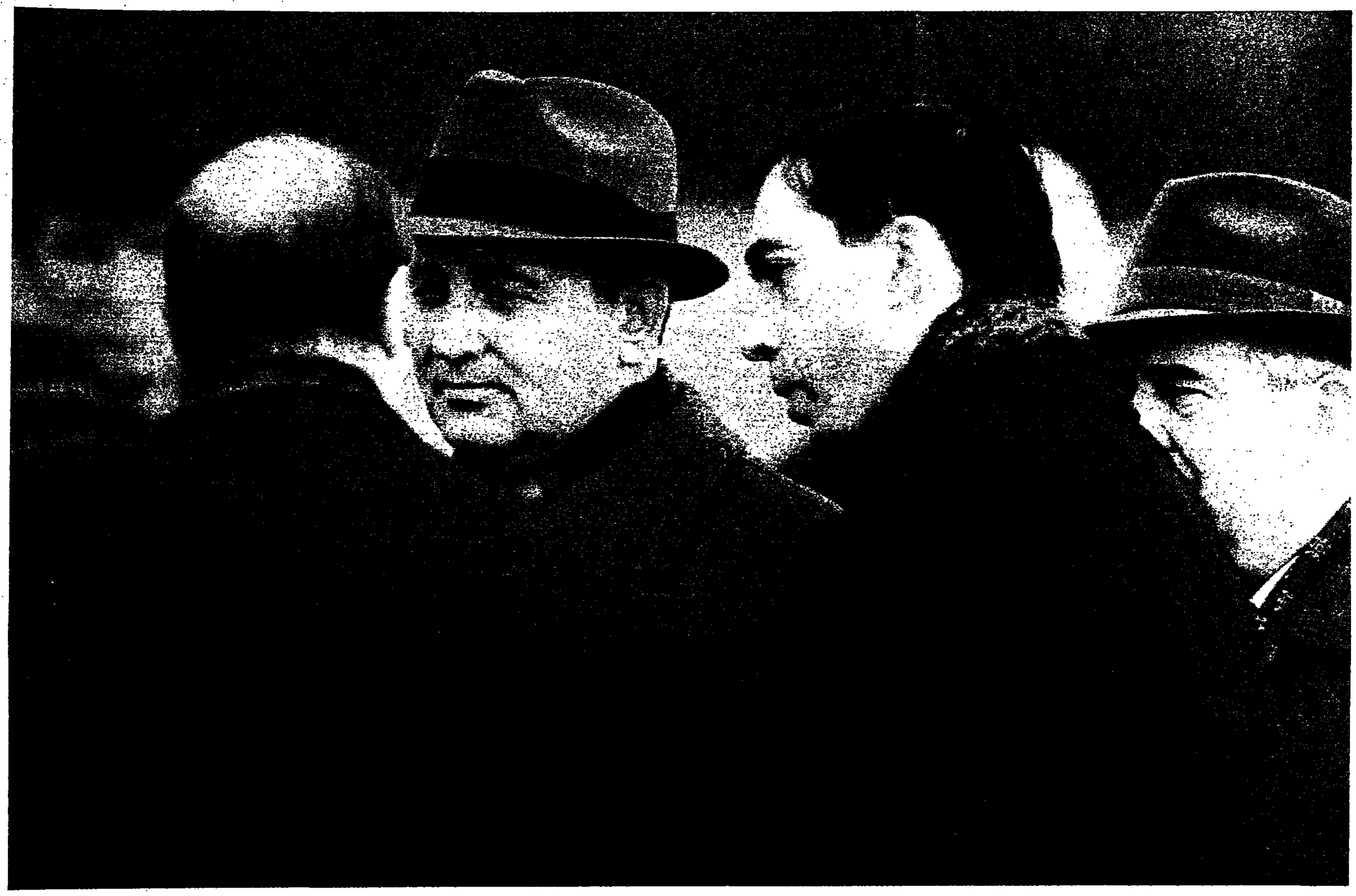
Offer people Freedom and Choices and you'll make a name for yourself.



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Our Freedom life policy and our Choices pension plan are giving people what people want. In the case of Freedom, a revolutionary brand of life insurance they can change as their circumstances change.

And with Choices, a pension plan they can take freely and easily from job to job.

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Quick to see the possibilities this opened up for a universal life product, we set about developing one.

The result was Freedom – profitable after just 18 months, it is now market leader in this growing sector.

Similarly, Choices was launched this year to capitalise on the enormous potential created by the new pension laws.

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The idea that change can be turned into opportunity is a firmly held belief at Guardian Royal Exchange.

And it's a measure of our success – we are one of Britain's leading composite insurers – that this doctrine is adopted through all levels of the company.

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GUARDIAN ROYAL EXCHANGE

One step ahead, then another

UK NEWS

Drop in November retail sales eases inflation fears

By Ralph Atkins and Christopher Parkes

BRITISH RETAIL sales fell last month, partly reversing a big jump in October, according to official figures yesterday which eased slightly fears of continuing inflationary growth in consumer spending.

Provisional Department of Trade and Industry figures showed a 0.5 per cent drop in retail sales volumes in November after adjustment for normal seasonal variations. It followed a 2.0 per cent rise for October.

The fall suggests high interest rates, engineered by Mr Nigel Lawson, the Chancellor of the Exchequer, may be having some impact on consumer behaviour. However, the outlook for both spending and inflation remains mixed.

Other DTI figures showed a rise in the cost of fuel and raw materials bought by manufacturing industry in November – adding to cost pressures.

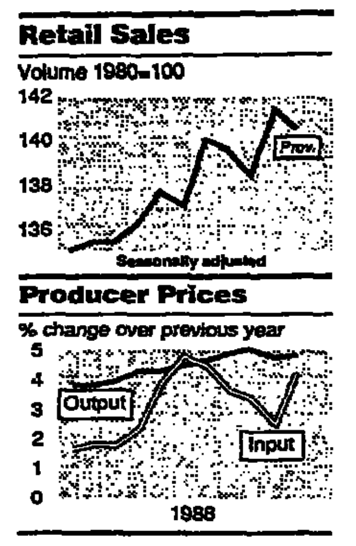
There are also signs that manufacturers are still taking advantage of strong demand to raise the prices of goods leaving the factory and increase profit margins.

The retail sales figures show the underlying growth rate remains strong although slower than summer peaks. In the three months to November, sales volumes were 1 per cent higher than the previous three months and 5½ per cent higher than the corresponding a period a year earlier.

November's sales could have been boosted by exceptional price cutting by many shops in the run up to Christmas.

The past two month's figures have conflicted with results from the Confederation of British Industry/Financial Times distributive trades survey. This pointed to a marked slowdown in sales growth in October but a pick-up last month.

Retailers were taking no bets yesterday on the outcome of the traditional Christmas shopping rush, although most agreed the build-up had been slower than usual. With Christmas Day falling on a Sunday, there would be a full week's shopping during which consumers might still come out in force.



Mr Jim Power, finance director of the Storehouse group, which includes the retail chains Mothercare, Habitat and BhS stores, said he was taking a relatively cautious view of the Christmas build-up.

"There is evidence that the Chancellor's actions have bitten," he said. He had scaled down his Christmas expectations over the past few months, although the annual pattern of rising sales was being repeated.

Figures for the prices of materials and fuel purchased by manufacturing showed a 0.5 per cent rise in November after seasonal adjustment.

That followed falls in the last three months and pushed the annual rate of increase to 4.1 per cent.

Factory-gate prices of manufactured products rose by 0.3 per cent last month, pushing the annual growth rate to 4.8 per cent. With labour costs currently subdued, this suggests manufacturers are increasing output prices at a faster annual rate than costs are rising.

The provisional seasonally-adjusted index of retail sales volumes stood at 140.5 (1980=100) in November against 141.2 in October. The index of output prices stood at 115.1 (1985=100) against 114.8. The index of input prices, seasonally-adjusted, was at 99.3 (1985=100) compared with 98.8. The unadjusted index stood at 99.5 (1985=100) against 98.0.

Lloyd's members 'can sue' for £71m losses

By Nick Bunker

MORE than 250 members of Lloyd's of London, UK insurance group, will be told at a meeting this week that they have a case for suing Mr Cyril Warrilow, a professional Lloyd's underwriter, to recover net losses of at least £71.2m.

They were all members of Lloyd's syndicate 553 in 1984, which means they are facing huge losses from US liability insurance business the syndicate took on in the early 1980s when run by Mr Warrilow.

Mr Tom Benyon, a former Conservative Member of Parliament and chairman of a steering committee of 553's members, is also expected to tell the meeting they have legal grounds to issue a writ alleging negligence by Lloyd's underwriting agents who recommended they should join the syndicate.

The meeting, at the Chartered Insurance Institute in London at 10.30am tomorrow will be given two detailed reports by Elborne Mitchell, the law firm, and Peat Marwick McLintock, the accountancy firm, alleging that before 1985 the syndicate was mismanaged, over-expansionist, and inadequately staffed.

The findings of the two reports have been sketched out in a letter sent by Mr Benyon to members of 553. "The lack of sufficient and suitable underwriting staff was probably the fundamental problem and cause of the losses which members have sustained," he says.

Vauxhall invests £56m in car plant

By Kevin Done, Motor Industry Correspondent

VAUXHALL, UK subsidiary of General Motors of the US, is to invest £56.3m in a new paint shop at its Ellesmere Port car assembly plant in north-west England.

The project, which will receive £8m in government regional aid will bring the Ellesmere Port assembly operation into line with General Motors' other European car assembly plants.

Mr Tony Newton, Minister for State Industry, said: "The investment would help safeguard more than 1,600 jobs in Merseyside."

GM has undertaken an ambitious capital spending programme amounting to about $1bn (£541m) a year during much of the 1980s to modernise its European facilities and update its model programme.

Its UK assembly plants at Ellesmere Port and Luton, north of London, still trail its continental operations in automation and productivity levels but they benefit from lower labour costs.

The Ellesmere Port plant produces the Vauxhall Astra, known as the Opel Kadett elsewhere in Europe, and the Astra van range. The paint plant will be needed for the early to mid-1990s, when GM introduces a replacement model.

Vauxhall said yesterday work on the plant would begin in January. It is scheduled to come into production in August 1990. Vauxhall has spent £85m at Ellesmere Port in the last four years.

General Motors had warned earlier this year that future investments in the UK could be dependent on the group gaining improved labour practices, but Vauxhall has proved in the last two years that the UK operation can be highly profitable.

Revenue to form basis of new TV tax regime

By Raymond Snoddy

THE Government is expected to announce today radical changes to the tax regime for Britain's 15 independent television (ITV) companies involving a move from a profits-based levy to a 75 per cent revenue-based levy.

The change reflects a Treasury belief that the ITV companies have not been paying enough to the Exchequer for the privilege of using scarce airwaves.

The decision on the levy changes, which will cost the ITV companies millions of pounds, will come on the day that Parliament's upper house, the House of Lords, debates the Government's controversial policy paper on the future of British broadcasting.

At the moment, the ITV companies pay 45 per cent special levy on domestic profits and 22.5 per cent on foreign profits. The new regime – 75 per cent on revenue and 25 per cent on profits – is believed to involve a small concession won by the Home Office. The Treasury wanted to see all the special levy fall on revenue to ensure a strong tax yield.

The details of the new levy, which will run for three years from January 1 1990 to the end of 1992, will be announced later as part of the Finance Bill. The intention is to restore the higher level of yield to pre-1986 levels, before the current system was introduced.

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THE CLAPHAM RAIL DISASTER

Witnesses describe nightmare of carnage

By Kevin Brown, Transport Correspondent

THE 06.14 train from Poole, packed with long-distance commuters, was nearing the end of its 125-minute journey to London when it ran into the back of the 07.18 from Basingstoke just after 8 a.m.

As the trains crashed about a quarter of a mile from Clapham Junction, in suburban south-west London, an empty train, the 08.03 from Waterloo to Haslemere, ploughed into wreckage lying on an adjacent track.

Hundreds of passengers streamed from the carriages and made their way up an embankment towards safety, where many stood staring down in horror at the carnage below.

Mr David Crump, 40, an insurance training manager from King's Somborne, Stockbridge, Hants, was in the last carriage of the train from Poole.

He said: "We started slowing down and suddenly there was this loud bang. A few people were thrown forward out of their seats. Some of them had cut their heads.

"Surprisingly, there was no panic whatsoever. I suppose we were in the most fortunate part of the train. We had heard the bang and a terrible screeching sound.

"We thought we had hit something on the rails. It was only when we scrambled out that we realised what had happened. I helped some people up the bank and over the bridge."

Mr Stewart McMillan, 22, of Farnborough, Hants, who works for National Westminster Bank in London, said he was dozing in the train from Basingstoke, which had stopped at signals.

He was woken by the crash and people screaming, and found himself pitched forward out of the window. He scrambled up the bank to safety with a severely cut face.

Mr Brian Hambleton, 53, of Fleet, Hampshire, a chief nursing adviser, was also travelling on the Basingstoke train. He said:

"I was in one of the carriages that was tipped on its side in the crash, not the rear carriage but the one next to that.

"The train had slowed down and it felt as if we had been hit by something at the back. It was a huge impact and we were all thrown forward, right across the carriage.

"There was a lot of confusion, the lights went out, and people then started to find out how bad the injuries were. Someone opened a window and some of us got out and helped others to climb across carriage roofs to the top of the embankment."

Another survivor, Mr Keith Larner, 36, a businessman from Southampton, said: "There were people underneath me and under the metal and there were people with metal in their bodies.

"A woman was trapped with metal in her chest and we just started to get people out immediately. It was the most horrible sight I have ever seen."

Mr Dan Atkinson, a journalist for the Press Association agency, was one of the first people on the scene. He was travelling in a train which stopped just behind the accident.

Mr Atkinson said passengers in his train were complaining about delays when the carriage doors suddenly burst open and shaken British Rail staff shouted for doctors and first-aiders to come forward.

"A few yards down the line were two trains. One appeared slightly damaged, parts of the other were completely destroyed. Two carriages on the second train lay on their sides, and a third carriage had been reduced to matchwood.

"Emergency workers were clambering on the roofs of the carriages. Firemen, policemen and ambulancemen were carrying the injured up the embankment to waiting ambulances.

"Schoolchildren from nearby Emanuel School peered through the railings down on to the track in horror. It seemed hard to believe that anyone could have survived in the crushed carriage."

Rescuers survey the scene of the wreckage near Clapham Junction in south London.

BR safety on par with Europe

By Richard Evans

BRITISH Rail's safety record *compares favourably with that* of Western European countries and the US, despite worries about the need for more investment to update rolling stock and signalling systems.

A recent report by the Railway Inspectorate, the statutory body responsible for checking railway safety in the UK, found that a great deal of effort was devoted by staff at all levels to maintaining the railways' traditionally high safety standards, but that there were no grounds for complacency.

The number of train accidents in 1987, the last year reviewed by the Inspectorate, was the lowest for five years. A single accident, the collapse of a bridge in Wales after severe floods, which caused a train to fall into a river, was responsible for the three passenger fatalities during the year.

But Mr Robin Seymour, chief inspecting officer, was concerned at the understaffing within the Inspectorate, which could affect the maintenance of safety standards. The effective force employed in the field last year was 110 man-months, or 65 per cent of the full amount, compared with 77 per cent in 1986.

Efforts have been made by the Government to ensure that more safety inspectors are recruited following a report into the fire at King's Cross underground station in which 31 people were killed. The report was critical of the lack of resources applied to safety procedures by London Regional Transport, which is responsible for the capital's underground rail network.

British Rail has also carried out a thorough review of selection and training procedures.

Previous UK rail crashes

- May 22 1915 Britain's worst railway disaster at Quintinshill north of Carlisle. Signalling irregularities led to a double collision. *224 killed.*
- October 8 1952 London's worst rail disaster at Harrow and Wealdstone, west of London. Double collision occurred when Perth to Euston train ran into another train and a third crashed into the wreckage. 112 killed. Soon after this crash, an automatic warning system was installed on all mainlines.
- December 4 1957 Lewisham, south-east London. Tail end crash with a stationary train due to signal failure. 92 died.
- November 5 1967 Hither Green, south-east London. The Hastings to Charing Cross train was derailed. 49 killed.
- July 30 1984 Polmot, in Scotland. Train derailed. 13 killed.
- July 26 1986 Lockington, Humberside, north England. A passenger train hit a van. Nine killed.
- October 11 1984 Wembley, north-west London. A rush-hour passenger train and a freight train collided. Three killed.
- November 12 1988 St Helens, Merseyside. A commuter train ploughed into a bridge. Train driver killed.

High Court defers London Life merger bid

By Raymond Hughes

THE HIGH Court yesterday agreed to defer until February an application seeking the court's approval of the proposed merger between London Life, UK mutual life insurer, and the Australian Mutual Provident Society.

The hearing will follow a fresh extraordinary general meeting (EGM) of London Life on January 27 at which a vote on the merger will be taken.

The Court of Appeal ruled last week that an EGM on October 19, which ended in uproar, had been invalid.

Lawyer Mr Philip Heslop, asking for an adjournment until February, said London Life's board was convinced that the merger was in the best interests of the company and of its members and policy holders.

The board was concerned about the potentially damaging effect which the delay and uncertainty would have on the company and its standing in the market. The company was anxious that the merits of the scheme should be ruled on by the court as soon as possible.

The board had been advised, Mr Heslop said, that it had the power, without the sanction of a special resolution by the members in general meeting, to seek the court's approval of the scheme.

Nevertheless, the board had decided it would be more appropriate to call another EGM, hoping in that way to avoid further divisive, expensive and potentially damaging disputes.

Mr Stephen Walkley, one of the dissident policy holders, told the judge that the root of the problem was the lack of information given to members by London Life. He said he wanted the company to draft revised proposals taking account of members' comments and to include a statement from the objectors with its circular for the new EGM.

Mr Heslop urged that London Life should be allowed to take its own course, mindful, when drafting the circular for the fresh EGM, of the criticisms made by objectors.

Mr Justice Hoffmann, granting the adjournment sought by London Life, said the company was entitled to have the merits of the proposed merger adjudicated on by the court in one hearing and not in instalments.

Abbey National may offer free shares to members

By David Barchard

ABBEY NATIONAL, Britain's second largest building society with assets of £26bn, is believed to be planning a free issue of shares to its members when its stockmarket flotation takes place next year.

The tax obstacles in the way of such a handout were removed in amendments to the Finance Act last summer after discussions between the building societies and the Government.

As a result, each of the society's 6m members will stand to benefit directly if they vote in favour of the flotation of the society, at an extraordinary general meeting expected next spring. The building society is taking advantage in a recent change in the law to permit mutual societies, which are owned by their depositors, to become public companies.

Abbey National yesterday refused to comment on its flotation plans, saying only that further details are likely to be announced in mid-January when it launches a nationwide campaign to explain its plans to its members.

A free allocation of shares is widely expected because it would help Abbey National's board clear the daunting hurdles set by the Building Societies Act on incorporation. These say that at least 20 per cent of members must vote on the issue and there must be a majority of 75 per cent in favour of the change.

While Abbey National has always been confident of obtaining this majority, a vociferous group of members opposed to flotation has emerged in the last six months.

Exactly how much each member will benefit will depend on the way in which Abbey National decides to proceed with the flotation. The obvious course, to link the allocation of shares to the amount held by each member in his or her account, may not prove possible to administer.

In that case, Abbey National may have to consider handing out a fixed amount of shares to each member holding more than £100 at a qualifying date. It will also pay out a share of its reserves in compensation to children under 18 who will not be able to vote. This latter amount is likely to be 5 per cent of their deposits.

However, Mr John Wrigglesworth, building society analyst at Phillips & Drew, yesterday warned that it was pointless to speculate at this stage about the value of the shares handed out to each member. "It will depend on the amount Abbey National is planning to raise from the flotation. I calculate that it would mean shares worth around £200 for each member of the society," he said.

One of the big puzzles surrounding Abbey National's flotation plans is its failure so far to name the qualifying date on which members must have held deposits to become eligible to vote on the flotation and benefit from it. Yesterday a spokesman for the society would give no indication of when the date might be or why it had not been announced so far.

Government ad campaign aims to calm egg fears

A NATIONWIDE advertising campaign will be launched by the Government this week to try to calm public fears over the possible health risks of eating eggs, writes Lisa Wood.

The campaign will be spearheaded by a series of newspaper advertisements which will seek to get an "eggs are safe" message across to consumers who may be at risk from salmonella infection should they eat a contaminated egg.

Retailers are also planning to give free leaflets to shoppers on how to store eggs and cook them.

Mrs Edwina Currie, junior health minister, caused consternation in the industry and among egg eaters 10 days ago when she suggested most eggs were infected by salmonella.

Retailers are reporting egg sales down by between 10 and 15 per cent last week.

Egg producers are urging the Government to pay compensation to the industry which claims it has suffered losses of at least £20m in lost sales.

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Together, we can do it all.

At NYNEX, answering customers' needs is priority number one.

Together, we embark on a search for the most powerful answers. Ideas that can build customers' businesses, both now and in the future.

Those dynamic solutions keep NYNEX customers one step ahead of the competition.

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Then, we recommend the best solution to meet your company goals. Be it a network, software, telecommunications, or an information system.

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We also provide the technical support and training to realize the full potential of your NYNEX solution.

Our quality commitment has teeth.

NYNEX backs up the promise of quality products and services with four Quality Institutes.

In addition to this, we have tough-minded Quality Directors in every one of our companies.

Together, these guardians of excellence who make up the NYNEX Quality Council train employees to maintain and preserve this commitment.

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• NYNEX Information Resources publishes over 300 White and Yellow Page directories, including boating directories.

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At NYNEX, the search to help our customers be the very best they can be, to realize their optimum business potential, never ends.

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The dedication, foresight, and total commitment of the 92,000 people of NYNEX is why *that* is becoming a profitable everyday reality for more and more of our customers. When the question is: "Who's turning the potential of the Information Age into reality?"—the answer is "NYNEX."

Need to communicate? Need to compute? The answer is

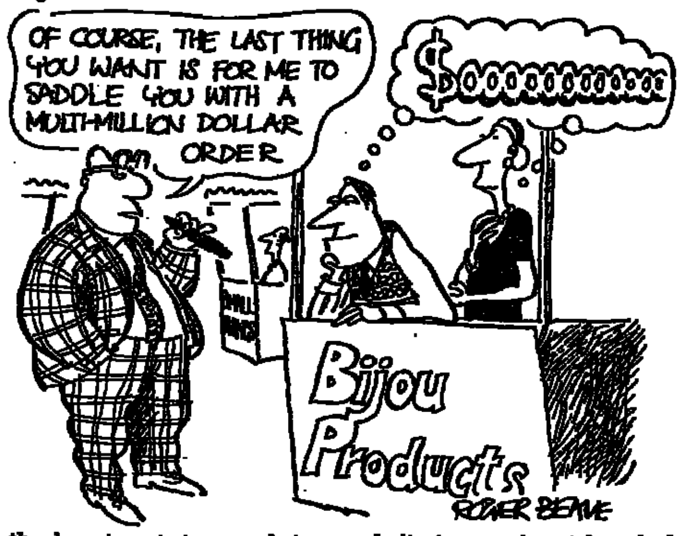
NYNEX

MANAGEMENT: Small Business

Exhibitions

How upmarket producers can benefit from taking a stand

By Charles Batchelor



David and Gillian Bates, co-founders of Woodsetton Projects, a West Midlands manufacturer of giftware, plan to be at the Birmingham International Spring Fair in February — along with about 3,000 other exhibitors.

The sheer size of fairs like this means it is only too easy for a small company like Woodsetton, employing five people and with sales of just £75,000, to be overlooked. Even after spending £1,500 on space and on mounting a stand, its efforts will appear modest alongside its larger competitors.

One answer to the problem of bringing small companies and buyers together has been a series of special fairs arranged by the London Enterprise Agency (LEntA).

Twenty-nine small companies producing consumer products displayed their wares in a corner of the entrance hall to BP's headquarters at LEntA's sixth Profit in Store exhibition in London last week.

They met buyers representing many of the major department store groups in Europe, the US and Japan, who were searching for the innovative, stylish product with a British flavour.

The popularity of these exhibitions has led to them being taken up by other small business support organisations around the country. They have created a network of outlets for smaller businesses alongside the traditional craft fairs, which appeal to the general public, and the larger trade fairs held in Birmingham, Harrogate and London.

"At a show like Birmingham you have to hunt a lot to find the one company with a new idea," says Chris Bouchard, visiting Profit in Store for the British Isles Buying Agency, which represents US department stores. "But I'm interested in half a dozen here."

The smaller shows are also more affordable for the small company. Profit in Store charges exhibitors just £50 though for some small companies exhibiting for the first time there are the costs of setting up a stand. Nicola Graham, whose Painted Furniture Company started up six months ago, spent £350 on professional photographs of her work for use on the stand and in promotional literature.

Unlike most trade shows, which are open to any exhibitor who can afford it, Profit in Store has a tough selection policy aimed at weeding out those companies which have products not considered suitable for the department store market or which would be overwhelmed by a sizeable foreign order.

The 29 small companies which took part this year were selected from 211 applicants by LEntA and the Export Buying Offices Association, the 23 members of which represent a wide range of department stores around the world.

Buyers are keen to deal with small companies because their products are usually unique and leading department stores will often pay well to have them in their displays. The disadvantage of the small company is that it lacks resources which may mean it is not able to deliver the volumes needed.

"The problem is that many of the exhibitors use outworkers paid on piece-rates," says Mike Gutteridge, chairman of the Export Buying Offices Association. "They often have difficulty controlling quality."

Peter Welsh, a director of Dittoware, a Whitby-based maker of table and kitchen crockery, says he has become aware of how important the quality question is since a recent visit to Germany. He admits to surprise at how bad the image of British manufacturers is in Germany and is slowing his plans to expand into the German market to meet his potential customers' demands that he establish a local warehouse to ensure prompt deliveries.

Many of the manufacturers of craft items which sell well abroad are simply not geared up to producing in the volumes that department stores might require. Gutteridge recalls that a few years ago the owner of one small company burst into tears when a Japanese buyer ordered 1,000 of her particular product. "She said we were turning her into a factory," says Gutteridge.

For while buyers are looking for products with a degree of exclusivity items must not be too specialised in their appeal or too expensive to fit into the range of a department as opposed to a specialist store.

Ambition is not a problem for most of the exhibitors at Profit in Store. Ivor Leslie-Rowe, co-founder of True Colours Knitwear, has expanded turnover to £70,000 in the two years since he decided he wanted more than a stall in Covent Garden Market.

He is keen to build up business in continental Europe to counter the problems of selling to what he calls a "fickle" US market. He believes he would have no trouble adding to the 60 or so home-workers who already produce his brightly coloured garments, though he is concerned about finding the finance which would be needed for expansion.

A problem for the buyers is to find a product which will look right on display in an expensive store. "What looks good at a craft fair doesn't always look good when it's on display in a Macy's or a Bloomingdales," says Richard Watts of Associated Merchandising Corporation.

LEntA's Tim Baldwin, who helps select exhibitors for Profit in Store, says foreign department store buyers are also looking for items which will travel easily and cheaply. A manufacturer of lampshades, which are light but large items, would have difficulty exporting, he says.

Items for export must also meet overseas safety standards concerning electrical wiring, the toxicity of paint or the flammability of clothing.

Pricing goods for export requires the small company to take into account the additional costs of transport, insurance and possibly discounts to the intermediaries involved, warns Baldwin. The products must be able to bear these extra costs and still remain attractive to the buyer.

Intense competition for the department store market from other European countries, the Far East and increasingly the US, means buyers have less time to spend chasing up small companies scattered around the country.

"Trips of four to five days have been reduced to 1½ days," says Gutteridge. The buyers will no longer jump into a car and visit someone's factory. We have to bring the sellers into our offices."

This is likely to mean that the trade shows and exhibitions become an even more important market place for the small company. But even when initial contact has been made with the buyer the manufacturer must follow this up with phone calls and further meetings to do the deal. "I've had a lot of interest but I don't expect anyone to place orders here," says Painted Furniture's Nicola Graham.

LEntA, 4 Snow Hill, London EC1A 2BS. Tel 01-236 3000.

Vietnamese entrepreneurs

Struggles of an ethnic community

David Sparks on official and unofficial help for an emigré population in London

Nhu Toan Tran was a tank captain in Vietnam. Now, in the UK, he makes cooking ranges for Chinese takeaways and restaurants, and has gone on to designing restaurants and fitting them out, undertaking contracts worth £100,000 each. Toan Phat Ltd in south east London turns over £500,000 a year. The name, he says, translates as "Toan not poor" any more.

His success is exceptional. Kim Huong Le, community organiser for the 2,500 Vietnamese in Southwark borough (about an eighth of the total in Britain), says that 65 per cent of those of working age are unemployed.

The Vietnamese are a very diligent group, says Douglas Harman of Peckham Enterprise Centre, which administers £200,000 put up by Lloyds Bank and the Government's Task Force to promote businesses in that part of London. But language is a problem.

Young Vietnamese speak good English. But only a small minority of those who came to Britain as adults pronounce it in an easily intelligible way.

Va Hoa Hoang, a young Chinese from North Vietnam who runs Thames Motors in a railway arch in south east London, turned this to advantage. Vietnamese motorists who could not understand English garagemen helped him to get going.

But language is a major obstacle encountered by Le, the enterprise centre and the Task Force as they seek to promote businesses and training for Vietnamese job-seekers. (The Task Force has just put up £12,300 to promote Vietnamese training and education.)

The language problem pushes Vietnamese businessmen into dealing in food. "In this business we don't need much English," says Ngo Diem, whose Mong Cai Bakery supplies a Chinese supermarket in Soho. "At my age it is difficult to study English."

Hoa Vinh Hua, who once ran a lock-making factory in Hanoi, has invented a board game, Military Affairs Chess. His problem is to get shops to stock it without the support of heavy advertising.

From the Lloyds Bank/Task Force fund, new businesses in Peckham can get grants of up to £2,500 for intangibles such as marketing, and loans of up to £5,000 at 3 per cent for equipment. Ngo got a year's rent holiday and a £5,000 loan from Southwark Council. There is also the enterprise allowance of £40 a week for a year.

But it cost Ngo £10,000 to fit out his bakery, plus £7,000 for the oven. He cannot make the extra investment necessary to cater for Marks and Spencer or J. Sainsbury.

Le says that the Vietnamese have had a poor response from the banks — "For a loan, banks want security and most of us did not bring any wealth with us." He points out, too, that after only about eight years in Britain, the Vietnamese community does not have the resources of the Pakistanis, Indians and Chinese.

Le has helped about 11 businesses to get off the ground: in cleaning, car repair, fashion, food. The typical businessman is a former South Vietnamese officer, or a Chinese who left North Vietnam after the China Vietnam war. He and his wife work long hours, with some help from children.

Toan left Vietnam with his family in a boat he built and reached Britain via Singapore. He knew only about fighting and freedom, he says, for he had gone straight into the army. He learned engineering by watching other workers in a REME workshop and a Wednesbury factory. "Then I went round England looking for a business I thought I could do."

He decided that the Chinese community did not know about sheet metal work and he could make them better cookers than the English manufacturers. But first he had to raise some money. "I worked for McDonalds at night time and for Bejam in the day time, for £500 a week." He invested his money in machines and, though he spoke no Chinese, set off round the takeaways. "After three years, people knew me. Now they come to me."

Thu Lam: not a single day's holiday in three years

The cookers are large gas hobs which, in use, are filled with water between the burners. He has sold 1,000 at £2,000 to £3,000 each. He has fitted out three restaurants in London, Norwich and Brighton and is working on two more.

For the decor, he brings in vases from Taiwan and gets skilful embroiderers to produce wall pictures on rich red cloth. He feels that, to expand further, he now needs an English partner.

Thu Lam, who, with his wife Hue, runs the Dalat restaurant in Kilburn, was among 4,000 people on the last ship to leave before Saigon fell. He got a job with Christian Aid and then with Phillips Petroleum, for which he organised materials supply in the Ivory Coast and at Aberdeen.

The Dalat is in a house bought with the help of his Phillips savings and a mortgage. It is named after the hill resort that his wife comes from.

"My wife always wanted to have a restaurant. She is the chef at the back. I am at the front. Our daughter helps me and also helps her mother. We just want to have a local, family-run business. In three years we have not had a single day's holiday. We open seven evenings a week," he says.

"This was the first London restaurant with authentic Vietnamese owners. We tend to do spicier food than the Chinese. We use water rather than oil, and fish sauce, not soya sauce. We get French people, Australians, Americans, quite a lot of Japanese. For the average meal, you're talking about £10 a head. We don't have high overheads."

Nguyen Duc Cung, an officer and car dealer back in Vietnam, was in the same prison camp as Le after South Vietnam's collapse. His hobby as a boy was palmistry and, after having got a reasonable grasp of the language, he first make a living in Britain by reading the palms of passers-by at Covent Garden.

He went on to get a stall there selling Chinese handicrafts and he now also has a small supermarket in east London, bought with the help of money his wife brought from Vietnam where she ran a jeweller's.

BUSINESSES FOR SALE

COMPANY NOTICES

No. 006408 of 1988
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF TACE PLC
- and -
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the order of the High Court of Justice (Chancery Division) dated 28th November 1988 confirming the cancellation of the Share Premium Account of the above-named Company of £3,668,255.86 was registered by the Registrar of Companies on 30th November 1988.

Dated this 9th day of December 1988

Lovell White Durrant,
21 Holborn Viaduct
London EC1A 2DY
(Ref. C1/RPLS)

ANNOUNCEMENTS

TYZACK & PARTNERS have appointed Brian Gordon to head their new office in Leeds. He will be joined by Tim Bowdler from The Chloride Group.

COLOUR GROUP LIMITED
Reg No. 2023959

COLOURSCOPE PROOFING LIMITED
Reg No. 2098428

SCAN 2000 (CAMBS) LIMITED
Reg No. 1715837

SCAN 2000 (LEICS) LIMITED
Reg No. 2089537

SCAN 2000 (LONDON) LIMITED
Reg No. 2135879

SCAN 2000 (NORTHANTS) LIMITED
Reg No. 2135877

SCAN MONO LIMITED
Reg No. 2135883Notice is hereby given pursuant to Section 46(1)(a) of the Insolvency Act 1986 that Mr. Panos Eliades of Panos Eliades & Co., 6 Bloomsbury Square, London, WC1A 2LP., was appointed Administrative Receiver of all the property of the above Companies on the 18th November, 1988 by Steven Elliott under the powers contained in a debenture containing a fixed and floating charge dated 3rd August, 1988.

Panos Eliades
Administrative Receiver
25th November, 1988

TECHNOLOGY

Switch of acid to ease sludge hazard

By Dai Hayward

THE environmental problems caused by the waste from titanium dioxide production could be solved by a process developed in New Zealand.

Titanium dioxide is an important chemical in the manufacture of paint, plastics, paperboard and heavy glossy paper. Current production methods involve sulphuric acid, which leaves rust-red ferrous sulphate sludge and waste acids.

Disposing of the waste, much of which is dumped at sea, is environmentally harmful and costly. In Europe some plants face closure because of tougher anti-pollution regulations imposed within the European Community.

A New Zealand research team, backed by Fletcher Challenge, one of the world's largest paper producing groups, has developed a new manufacturing process which not only eliminates the damaging ferrous sulphate residue, but is also cheaper than traditional methods. The team included scientists and technicians from industry, Wellington University and the Government department of scientific and industrial research.

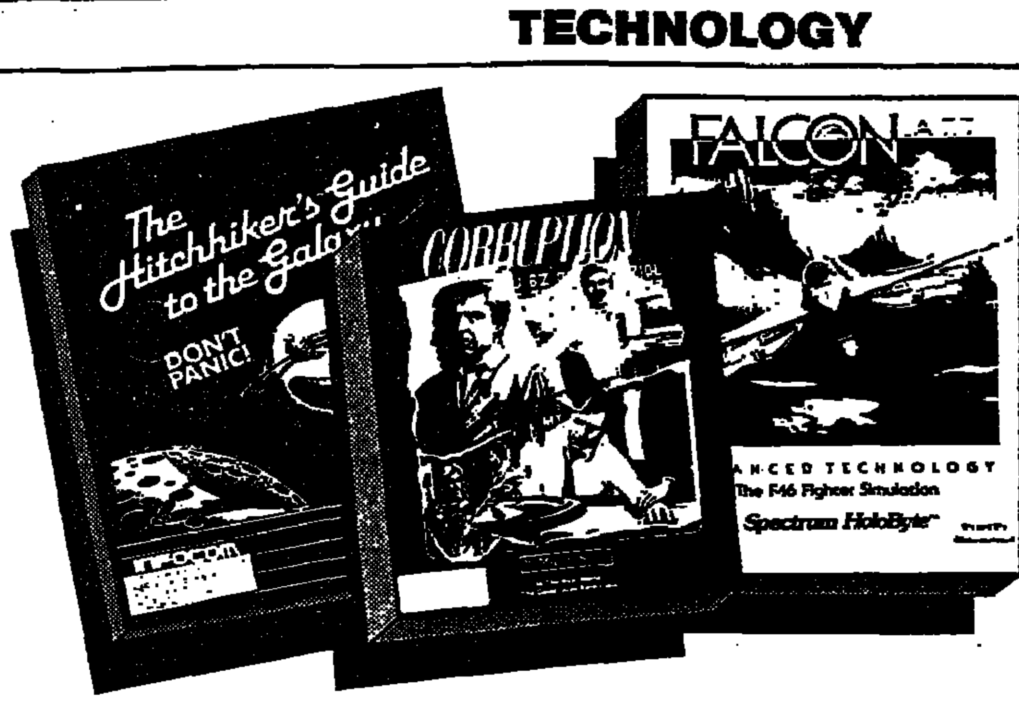
The new process involves replacing the sulphuric acid, which is used to digest the minerals needed to make the titanium dioxide, with hydrochloric acid.

Fletcher Challenge has decided to build a NZ$ 37m (£13m) plant on a two-acre site near Wellington, which will produce 3,000 tons of titanium dioxide a year. Although small by world standards, this is intended to demonstrate the commercial potential of the new process.

The company has no existing plant producing titanium dioxide. It does, however, own paper-making mills in several countries.

It also owns or controls a large supply of the mineral ilmenite – an essential ingredient in the production of titanium dioxide – in South Island, New Zealand.

The company has established a fully owned subsidiary, Fletcher Titanium Products, to run the project.



Just playing at City 'Corruption'

Paul Abrahams conducts a little practical research into computer games for adults

The personal computer revolution has provided businessmen with an invaluable tool for analysing and manipulating information. But business-orientated computers are capable of doing much more than these important and worthy functions.

A generation of children has now grown up playing computer games, so software houses have turned their attention towards adults and are writing sophisticated programs for use on powerful business machines.

In their most simple form, the games available are text based and tend to have limited graphics or none at all. Each player adopts the role of one of the characters in the story and sets about a series of tasks.

The player is presented with problems on screen and must tap in possible answers. The program evaluates the answer by using a parser. This compares the words entered by the player with the passwords needed to solve the problems set by the programmers.

Early games had inflexible parsers which had difficulty understanding even the simplest of sentences. But more recent programs have proved much easier to use.

As the game progresses, the player must gather both the items and information needed to solve all of the puzzles. Text-based adventures need a certain attitude of mind, a methodical manner and considerable logic.

Among the most popular games this year is an adventure called Corruption (Magnetic Scrolls, £24.95) which is set in the yuppie-ridden City of London. The main character, who has just arrived as a partner in a new BMW car, is being set up by his cocaine-sniffing colleagues to take the blame for an insider trading scandal. The aim of the game is to avoid being convicted by the fraud squad or murdered by a particularly evil cocaine baron.

Corruption has its humorous moments. Initially, none of the game's all-singing, all-dancing British Telecom telephones works. This is despite the fact that Magnetic Scrolls, the company that wrote the program, is part of British Telecom. The Financial Times makes a brief appearance, but thankfully appears to play only a minor role in the proceedings.

One of the most enduringly popular games is the Leather Goddesses of Phobos (Infocom, £24.95). The game has three levels of play – tame, suggestive and lewd – though in fact nothing salacious is contained. *It is a spoof on the 1930s Flash* Gordon adventures, the object of the game being to save the world from the Leather Goddesses. The main character can be male or female, depending on which of two lavatories is chosen at the start of the game.

Another popular product from Infocom is the Hitchhiker's Guide to the Galaxy (£24.95). Hitchhiker's was co-written by Douglas Adams, author of the radio series and book of the same name.

Although the plot is different from the originals, it does contain a number of familiar characters, including Arthur Dent, Ford Prefect, Zaphod Beeblebrox, Trillion, Marvin the paranoid android and a Vorgon captain with an unpleasant taste in poetry. Alas, this particular player never succeeded in putting the Babel fish in his ear, which would have enabled him to enjoy the full delight of Vorgon poetry.

Machines with a colour *graphics adapter card – which* offers four different colours and a resolution of 320 x 200 pixels – can run games with more complicated images. Among those available are traditional products in computer format such as Trivial Pursuit *(Domark £24.95), Scrabble and* Diplomacy (Virgin Software, £24.95). The suppliers say that the computer versions of these games allow individuals to play solitaire, or the computer will supply other "players" to make up the numbers. One advantage of the computerised Diplomacy is that the software resolves all arguments between players.

For those lucky enough to have a machine with an enhanced graphics adapter board – with a resolution of 640 x 350 pixels and 16 colours – the range of games available is greatly enhanced.

One which takes full advantage of the extra resolution and colours is a flight simulation called Falcon AT (Mirrorsoft, £44.99). Mirrorsoft claims that this F-16 aircraft simulation has been used by the US air force in helping to train pilots.

Falcon can be played at five levels ranging from lieutenant to colonel. At its easiest level, it is possible to take off and fly *within about five minutes. At* higher levels, however, flying is far from easy and is made all the harder by enemy aircraft and missiles. The graphic images on the ground are *particularly impressive.*

There is a downside to computer games, however. Their increasing popularity has been accompanied by widespread illegal copying and such infringement of copyright has increased the risk of computer viruses and Trojan horses. (A virus is a piece of software which has the ability to copy itself from one system to another. A Trojan horse is software concealed within the virus which, when activated, will carry out a predetermined task.)

The advantages of buying software from shops in sealed packages are considerable – except for the cost. The disadvantages of having a friend supply cheaper software illegally can also be considerable.

In recent weeks City of London institutions have been bit by viruses in two pirated games, called *Leisure-suit* Larry and PLO. In both cases, the virus was capable of destroying all data on hard disks. If games are going to be used on business machines *containing* valuable data, it is well worth the expense of buying them from shops.

All prices quoted are for versions which are IBM-compatible. Games were tested on an IBM PC.

The recordable compact disc

TAIYO Yuden, the Tokyo electronic components and magnetic tape manufacturer, has developed recordable compact discs (CDs) to the manufacturing stage. It is making them available to digital recorder designers *interested in exploiting this* potentially important market.

Although consumer availability of such recorders raises the same, unresolved, copyright problem as Dat *(digital audio tape), the* situation is different in professional publishing and computing. There, CD players are freely available and in use for information storage and retrieval.

Taiyo Yuden believes that relatively cheap, small studio recording systems will allow performers and information providers to produce relatively small quantities of *CDs, so obviating the need* to go to a large CD pressing company.

Recorders are being developed, but the company will not reveal by whom, indicating only that they will probably come on to the market late next year. The discs, called CD-R, meet the Philips/Sony "Red Book" requirements.

The technology will be competitive, *in the computing* world, with that already introduced by Hitachi and others on the slightly larger (5.25 in) "write once read many times", or Worm, disc. The 4.7 in CD-R disc, however, has the advantage that it can be played on the 44m existing CD and CR-Rom players.

CD-Rom (read only memory) is the text/data version of CD, allowing text and graphics to be brought up on a personal computer screen.

But the future in this area is unclear. Many in the computing *industry believe* that optical recording will not make an impression until fully erasable systems are available at prices, and with access times, that make them *competitive with magnetic* discs.

Towards a TV that is like a book

A NEW UK company, Rytrak of Liverpool, is taking a stake in the flat screen display market with what is claimed to be the first fully automated chemical vapour deposition (CVD) machine.

The technology has been licensed from the UK General Electric Company (GEC), and the first £250,000 machine has *been bought by GEC for the* production of displays which are believed to be for military aircraft applications.

The Rytrak machine is said to have overcome a problem often encountered when making large flat displays, that of laying down very thin, uniform layers of materials like polysilicon. It is claimed that the new machine can do this successfully on areas up to 14 in square.

Such "transistor quality" silicon is necessary for the fabrication of both the coloured pixels (picture elements) and the microscopic electronic circuits needed to drive the display.

The company says that the whole display can be driven with only three external wires. These carry a continuous stream of signals that can switch each pixel on or off and adjust its brightness. The use of polysilicon gives pixel switching that is fast enough for clear television pictures.

Although the maximum display size limits "hang on the wall" television applications, Rytrak foresees a personal set which opens like a book. It would have a memory that would enable it to start recording a programme when the "cover" was closed. The viewer could pick up the programme where he left off by opening the "book" again.

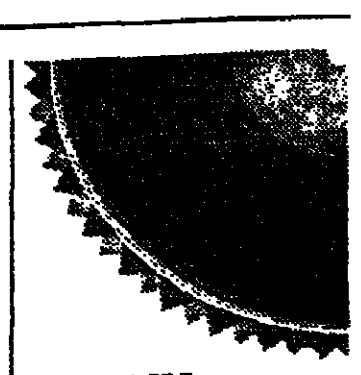
Facilitating the desk-top scan

FACIT, the computer company which is part of the Norwegian Design Funktion group, has launched a document scanning system for £995.

Designed for direct document input into desk-top publishing systems, the model A4301 is easy to use and can scan an A4 document in 12 seconds.

After scanning, the image *is translated into standard* format which allows basic elements (pixels) of the image to be edited on screen. Also the image can be cropped, rotated or inverted.

The machine can deal with bound volumes and has a lens system with large depth of field, which allows all the details to be picked up from books that are not completely flat.



WORTH WATCHING

Edited by Geoffrey Charlish

A dwarf that grows to a giant

AN ACCESS platform, which can raise a person to 9.7 m (32 ft) but which can be retracted to pass through a single door, is available from *Simon Eurolift of Cork*, Ireland.

Called *Gofor 90*, the unit can be towed by a small car or van to a site and then manoeuvred into place by one man.

The company says that it will be possible to use the new platform in buildings which most such units would have difficulty entering.

A secret coder to carry around

HUSKY Computers, of *Coventry, a leading British* maker of hand-held machines, has teamed up with Cossor of Harlow (part of the US Raytheon electronics group) to develop and produce a tactical data encryption system for the UK Ministry of Defence.

A variant of Husky's Hawk portable will be used with the coding system and modem needed to meet UK Army specifications.

Tactical data entered on the Hawk keyboard in the field will be encrypted (scrambled to make it meaningless to all but the recipient) and then processed for radio transmission in the modem (modulator/demodulator).

Similar equipment at the other end of the radio link will reproduce the text and *data on a screen.*

CONTACTS: Taiyo Yuden: Tokyo, 832 0101. Rytrak: UK, 051 259 6221. Facit: UK office, 0634 830006. Simon-Eurolift: Republic of Ireland 21 353011. Husky: UK,0203 668181.

COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN JAPAN ASSOCIATED FINANCE CO., LTD

We are pleased to announce that copies of the Agenda for the 16th Annual Shareholders' General Meeting of Japan Associated Finance Co., Ltd. are available to EDR holders upon application to The Bank of Tokyo International Limited, 20/24 Moorgate, London, EC2R 6DH and the Agent, The Bank of Tokyo (Luxembourg) S.A., 1-3 Rue du St. Esprit, 1475 Luxembourg.

FINANCIAL TIMES
SURVEY

Spending on advertising in the UK may level off as new TV and radio outlets begin to compete, writes **Philip Rawstorne**. But buoyant spending in Europe should encourage British agencies which have been strengthening their position on the Continent.

Time to find a partner

IT HAS been another bumper year for the advertising industry. Advertising expenditure is expected to total close to £7bn, compared with £5.8bn last year, according to Advertising Association (AA) forecasts.

Over the first six months of the year, television revenue rose by 15 per cent, total press advertising by nearly 20 per cent, and radio revenue increased by more than 30 per cent.

But the most remarkable feature of the year's growth so far has been in recruitment advertising – up by 60 per cent in regional newspapers, and by more than 100 per cent in free newspapers, in the first quarter of the year.

Mr Mike Waterson, AA director of research, says that the main influence over the next two years will be the growth of consumer spending and the level of corporate profits. "The massive classified boom looks as though it may be about to come to a halt. The display boom is very likely to diminish," he says. "But there is still the likelihood overall that the good times still have a reasonable chance of continuing, at least until the end of 1990."

Mr Waterson predicts real growth of around 4 per cent next year, declining to 2 per cent in 1990.

That suggests expenditure in the UK may be levelling off as the new television and radio outlets, outlined in the recent Government White Paper, begin to compete for advertisers' money in the early 1990s.

Mr Waterson warns that other factors could also limit future growth. There is the possibility of bans on total categories of advertising. "Optimists believe only £100m of tobacco advertising is on the line. Realists know better ... many pressure groups [are] involved in seeking a ban on alcoholic drink advertising – some £200-£300m of expenditure."

Recent moves by Grand Metropolitan and others to establish balance sheet values for brands could also affect advertising, Mr Waterson says. The crucial question is how advertising is treated in companies' balance sheets and by the Inland Revenue. Up to now, advertising has been tax allowable as a cost, but if brands are established as an investment, it might be thought logical to treat advertising in the same way and make it a post-tax charge.

"One possible result could be that companies might spend less on advertising than they do now. The implications ... could well be considerable," Waterson says. The deductibility of advertising expenditure is already a live issue in the US.

But if such uncertainties are beginning to cloud future growth in the UK, buoyant advertising spending is forecast for the major European markets up to 1992. In Spain, real growth of 20 per cent is predicted next year, and between 12-15 per cent over the following three years. By 1992, the Spanish market will be worth more than Pta400bn (£1.9bn); the Italian market, growing at around 7 per cent a year, L4,000bn (£1.7bn). In France, advertising spending is set to rise by an average 6 per cent to FFr30bn (£2.8bn); in Germany, by a steady 5 per cent a year to DM17bn (£5.4bn).

That should raise the optimism of British advertising agencies which, for the past year or so, have been steadily strengthening their position on the Continent.

Urged on by a £15m Government advertising campaign, London-based agencies, like many of their corporate clients, have begun to prepare for the European single market. Throughout the past year, agencies with European networks in place have been reorganising their management structures; and there has been a constant stream of mergers and alliances with European agencies.

After taking a 49 per cent stake in France's Groupe Belier, WCRS acquired a 50 per cent interest in the leading French media buying independent, SGGMD.

Foote Cone & Belding merged its relatively weak European operations with those of the French agency, Publicis; Lowe Howard-Spink & Bell merged its French business with Quadrillage. WPP linked with Partner of Belgium. Lopex has continued to extend its Alliance network, taking a stake in a Frankfurt-based agency. It now covers 11 European states. Yellowhammer set up a joint venture in Paris. Mills & Allen, the UK's largest poster company joined forces with Avenir Publicité to establish a European chain.

John Batten

Advertising

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Even the smaller agencies got into the act. Watts Lord, of Oxford, Roger Mayer BSW, in Switzerland, and Prosquill, of Austria, took the lead in setting up COMIN, a pan-European collective of independents.

The hunt goes on for partners. Such is the demand that the Institute of Practitioners in Advertising has set up an agency-matching file in response to "constant requests" from other UK and EC agencies for help in forming joint ventures.

At home, there were some mergers, too. Saatchi & Saatchi folded one subsidiary, Ted Bates, into another, Dorland, to form BSB Dorland, which thus became the UK's second biggest agency with billings of £175m; and Boase Massimi Pollitt took over Davidson Pearce, lifting the agency into fourth place in the UK league, and positioning itself for a foray into Europe.

But the move that has really rocked the industry this year has been Saatchi & Saatchi's decision to centralise the media buying operations of its four UK agencies around newly-acquired media independent, Ray Morgan & Partners. The new company, Zenith, with billings of £700m, some 17 per cent of the market, was set up in response to the growing concentration of media ownership in the UK and elsewhere in Europe.

Though the venture could face many problems, not least that of potential conflict between clients in the same line of business, the negotiating strength it is likely to give Saatchi in the media market has prompted rival advertising agencies as well as the media independents to attempt to build their own muscle.

WCRS, to some extent, anticipated the Saatchi strategy in allying itself with SGGMD of France. Young & Rubicam has joined Havas of France in a joint venture; and Ogilvy & Mather has been engaged in long discussions with Omnicom about amalgamating their world-wide media operations.

Among the UK media independents, which over the past decade have been the driving force of the sector, size as well as specialisation has also suddenly acquired importance. TMD, the biggest independent, recently bought Yershon Media. And others are seeking closer links with European independents.

Advertisers are watching developments warily. For them the future already seems complex enough with the opening of the European market, the restructuring of UK broadcasting and the spread of satellite and cable television, and an increasingly fragmented market.

The key questions being asked of forthcoming changes in the UK are:

- Will the advent of new channels increase viewing, thus bringing down the cost of television advertising, or will they fragment audiences, making mass markets more expensive to reach?
- Will the proliferation of television stations make television advertising campaigns more difficult to buy?
- Will there be enough revenue to ensure the high quality programming that advertisers need?
- How can all the channels be measured to provide comparable audience figures?

The Government White Paper, which at first glance seemed to meet so many of the demands of advertisers, long-frustrated by the increasing costs of the ITV monopoly, does not, on closer perusal, offer quite the relaxing scenario that had been expected. "UK clients," says Mr Winston Delaney, chairman of Delaney Fletcher Delaney, "will look back on this era as a golden age when mass audiences could be reached without the expense of buying time on hundreds of different media."

Meantime, those mass audiences are being chased with unremitting vigour. Leading the pursuit are such familiar names as Unilever and Proctor & Gamble, Nestlé and Kelloggs. But the banks, insurance companies and building societies are pushing close behind, and there has been a rush of retailers. Unilever retained its place last year as the holding company with the biggest advertising spend, £104m, according to Media Expenditure by Analysis (Meal). The Government occupied second place with £88m, and has been controversially extending its advertising campaigns this year.

Though no single financial institution figured higher than 37th in the spending list – National Savings Investment Account – several featured among the fastest rising brands of 1987; and financial sector advertising is estimated to be growing at the rate of 15 per cent a year.

	The top 20 agencies - October 1987 to September 1988	Total £m Oct 86-Sep 87	Total £m Oct 87-Sep 88	% Change
1	Saatchi and Saatchi	160.1	203.1	26.9
2	BSB Dorland	183.8	175.4	- 4.6
3	J Walter Thompson London	153.3	172.3	12.4
4	BMP Davidson Pearce	134.8	136.9	1.6
5	D'Arcy Masius Benton and Bowles	106.1	128.8	21.4
6	Ogilvy and Mather	104.0	114.7	10.3
7	Lowe Howard-Spink	69.9	94.8	35.6
8	Young and Rubicam	83.3	93.1	11.8
9	McCann-Erickson London	90.2	90.7	0.6
10	WCRS Mathews Marcantonio	50.9	77.1	51.5
11	Collett Dickenson Pearce	68.8	72.8	5.8
12	Abbott Mead Vickers SMS	51.7	70.0	35.4
13	Allen Brady and Marsh	57.5	59.5	3.5
14	McCormick Publicis	46.3	57.4	24.0
15	Grey	47.7	57.3	20.1
16	Leo Burnett	44.6	54.1	21.3
17	Lintas	44.6	49.4	10.8
18	KHBB	35.7	45.3	26.9
19	Gold Greenlees Trott	36.5	45.2	23.8
20	Bartle Bogle Hegarty	36.0	43.4	20.6
	Total	1605.8	1841.3	14.7

Saatchis: Charlotte St only; JWT: Berkeley Sq only; BSB Dorland: 12 month total of Dorlands and Ted Bates

Source: Campaign

Quoted agencies are becoming more efficient

Eyes towards Europe

THE CITY of London still looks on advertising agencies with a jaundiced eye. On the stock exchange this year, the agency sector has been marked by depressed prices and sluggish trading. Out in the real world, by contrast, advertising business is booming, profits are healthy, and creativity assharp as ever.

A survey by stockbrokers, James Capel, of 12 publicly quoted agency groups, shows an average profit margin of 13.5 per cent which, it predicts, should reach 15 per cent over the next two years. Yellowhammer leads the field with an operating profit margin of 34.7 per cent, followed by Abbot Mead Vickers (26.6), and Gold Greenlees Trott (24.6). The Capel report says that since 1981, "profitability has steadily climbed to new highs ... due to the increasing contribution from below-the-line areas where operating margins are higher than advertising ... [and] to the improved efficiencies in agency groups.

"These efficiencies are almost certainly a result of significantly improved management over the last five years, brought in as a response to the increased demands and scrutiny that goes hand in hand with being a public company."

The Capel survey also concludes that the quality of earnings of agencies, measured by their ability to keep clients, is exceptionally good. During the year to August, some 12 per cent of accounts on average moved from one agency to another. But much of this movement occurred among the smaller advertisers, companies which had recently started advertising or whose business had seasonal or fashion elements. In the biggest advertising sectors, the tendency to move brands was well below average.

After the previous year's acquisitive forays into the United States, the industry's attention has turned towards Europe. London agencies have been limbering up for 1992,

A survey by James Capel predicts that profit margins should reach 15 per cent over the next two years

building extra muscle and toning up their management structures.

At home, there was some rationalisation. Saatchi & Saatchi merged its two subsidiaries, Dorland and Ted Bates, into BSB Dorland, which then overtook J. Walter Thompson to occupy second place in the UK advertising league published by Campaign.

Boase Massimi Pollitt merged with Davidson Pearce – a move that won some praise from City analysts, and lifted the combined agency into fourth spot in the league.

WCRS Mathews Marcantonio – without the benefit of acquisitions or mergers – moved into the top 10 agencies after less than 10 years in business. The ICC Business Ratio Report shows that the WCRS group increased annual sales by 214 per cent a year during the three years ended October 1987, and recorded an annual profit growth of 161 per cent during the same period.

While the Saatchi brothers' stock fell further in the City because of a controversial £177m rights issue, the Charlotte Street agency consolidated its No 1 position. So far this year it has won £125m-worth of net new business, a 48 per cent increase and £72m more than its nearest competitor, Young & Rubicam. The Saatchi subsidiary, KHBB, also comfortably retained its place in the top 20 agencies in the UK, securing £28m of new billings, a 34 per cent increase.

The fastest growing agency this year, however, has been GGK which, with £25m of new billings, has more than doubled its size.

The reputation of London agencies for creativity continues to ride high – and though one US guru has recently suggested that British advertising is getting too humorous for its own, or its clients' good, British agencies took two of the four Grand Awards and no less than 12 gold medals in competition with 40 countries at the recent Film and TV Festival of New York.

Philip Rawstorne

Retail advertisers still top the big spenders' league, but . . .

New money requires new specialists

FINANCIAL services advertising, as any night's television viewing shows, continues to increase at a tremendous rate, despite the effects of last year's stock market crash and the headaches of new regulations.

With the enlisted aid of celebrities such as George Cole, Joan Collins, Rowan Atkinson and Jonathon Ross, scarcely a month has passed this year without one or another financial institution figuring in MEAL's top 10 lists of television or national press advertisers. The Advertising Association expects a 15 per cent increase in financial advertising this year to a total spend of around £365m on television and national press alone. Growth is expected to continue at the same rate next year – this is one activity likely to be stimulated by high interest rates.

The growth in financial and business-to-business advertising has this year stimulated the formation of two new specialist agencies: Saatchi & Saatchi Business Communicationsand DMB&B Financial. Both were launched on the premise that the financial and business sector was proving too complex for agencies that had been weaned on cars, food, and drink to handle effectively.

TV celebrities have enlivened financial services advertising

A Research Business survey for DMB&B showed that even the agencies themselves ranked financial advertising among the worst and least understood. Their clients in the financial institutions appeared rather more satisfied, rating the advertising above that for consumer durables and government services. Though one client acknowledged: "You have to be more inventive with financial – because otherwise it can seem dull."

But despite the rapid increase in financial advertising, and in corporate advertising, of which British Steel with a spend of £17m was this year's leader, this so-called "new money", says Mike Waterson, of the Advertising Association, has not been as "significant in total terms to adspend growth as the old faithfuls of food, retail, car and drink advertising".

Retailers dominate MEAL's top spending brands. B&Q heads the list for the year ended in September with £18.9m, followed by Dixons (£15.9m), Woolworth (£15.1m), Currys (£13.6m), MFI (£12.7m) and Comet (£11.4m). Even Marks and Spencer entered the fray this year.

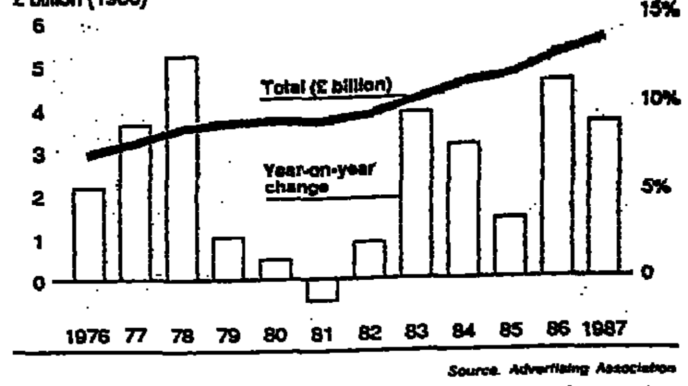
And though, by the end of the year, it is likely that Unilever and the Government will again be vying for the overall leadership of the big spenders, this year's list is expected to show another marked surge in the cars sector, which rose by 14 per cent last year, when, according to MEAL, total car advertising reached £222m, or nearly 2 per cent of sales.

From the moment Peugeot launched its controversial, blazing sugar-cane fields commercial at the turn of the year, the battle for sales between the major car manufacturers has been intensely fought. Austin Rover already holds a prominent position in the advertisers' league, with an estimated £12.2m spent so far during the year in support of the Metro batchback, and a further £10.3m on the Rover 800 model.

In the drinks market, the fight continues between the lagers – notably Tennent's, Carlsberg, Carling Black Label, Fosters, Heineken, and Miller Lite, one of this year's major winners in the IPA advertising effectiveness awards. Brewers spent nearly £200m on advertising in 1987, more than two-thirds of it on lager; but the crowded field has not deterred others, such as Molson, from attempting to gain a foothold this year.

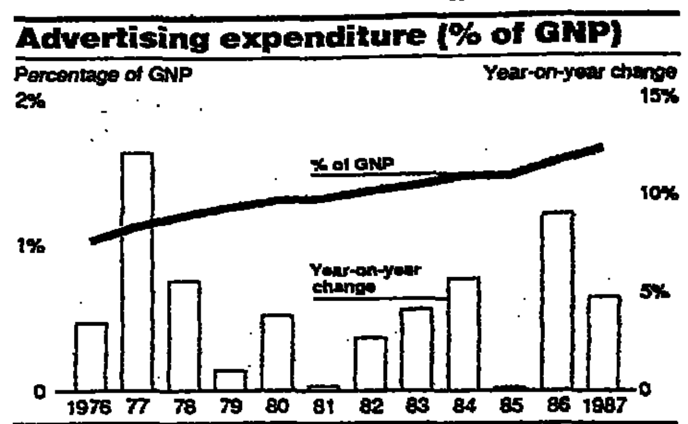
Philip Rawstorne

UK Advertising expenditure



Source. Advertising Association

Advertising expenditure (% of GNP)



Top brand advertisers (Oct 87-Sept 88)	£000s
B&Q Supercentres	18,960
British Steel Corporato	16,931
Dixons Photographic/Audio	15,940
Woolworth Stores	15,159
McDonalds	13,768
Nescafé	13,638
Currys Stores	13,632
MFI Stores	12,744
Whiskas Supermeat	12,283
Austin Rover Metro Hatchback	12,245
Maxwell House Coffee	11,570
Comet Warehouses	11,481
Ariel Automatic Powder	10,981
Benson & Hedges Spec. K/S Filter	10,716
Pedigree Chum	10,627
Austin Rover 800	10,328

Source Meal

GOVERNMENT ADVERTISING

Labour alleges partiality

THE BRITISH Government has this year found itself at the centre of renewed controversy over the way in which it spends taxpayers' money on advertising campaigns.

With one of the country's biggest advertising budgets under their collective control, ministers insist that the near-£100m spent during 1988 has been used exclusively to provide information of general interest to the public. Their political opponents, meanwhile, accuse them of blatantly promoting partisan propaganda and of ignoring all the ground rules intended to curb such abuses.

It is an old argument stemming as far back as the mid 1970s when Mr Harold Wilson, as Prime Minister, ran into problems promoting his Government's counter-inflation strategy.

In 1985 the Widdicombe report responded to renewed concern over the issue by spelling out a code of conduct for local authority advertising, which reaffirmed the principles that the content, tone and presentation of publicity should not be party political. Its distribution, the report added, should be carefully controlled and the costs fully justifiable.

Neither has the present government been slow in highlighting and attacking what it believes to be the misuse of public funds for driving home the alternative, political messages of its opponents. This year's Local Government Act was in part designed to prevent local councils, notably those controlled by the Left, from subsidising "propaganda on the rates".

In the last few months, the entire controversy has been revived with a vengeance, given the Government's decision to sanction further, major increases in departmental advertising expenditure.

In 1985-6, the Government spent around £22m on "informational" advertising but by this year the Central Office of Information had budgeted to spend over £95m on a range of campaigns intended to keep the public abreast of changes which may directly affect their rights and responsibilities.

The highest spending departments include Trade and Industry, where spending has come in for particularly close scrutiny, the Health Education Authority and the Department of Employment.

Other major advertising initiatives currently include the continuing AIDS campaign, the promotion of new training schemes for the unemployed and of the new arrangements for social security benefit payments. The Government is also spending money on preparing the public for the introduction of the poll tax and has, for example, just announced a further £2m boost to the drive aimed at discouraging the use of drugs and limiting the spread of AIDS.

Alan Harper

Mr Tony Blair: his complaints echoed parliamentary concern

With the new parliamentary session scheduled to pass legislation paving the the way to privatisation of the electricity and water industries, the expected advertising campaigns surrounding their sale will provide additional ammunition for the critics.

Not all the campaigns can be used by the Government's opponents to prove the "propaganda" case, but their objections have been given added weight with indications that some ministers have also been showing signs of concern about the scale of particular departmental advertising budgets and their effectiveness in terms of value for money.

Labour stepped up its offensive in the spring, lodging a formal complaint with the Independent Broadcasting Authority over the Government's alleged use of television to promote its own, political messages.

The principal target was Lord Young's DTI, which in the first three months of 1988, spent over £6m on the first phase of its Enterprise Initiative, intended to promote the Department's new role. Over the same period, the DTI spent another £5m on its campaign to increase awareness within the business community about the arrival of the single European market in 1992.

As a result, the Department's total advertising budget rose from £2m in 1985-6 to £13.6m in the last financial year – as much as in the previous five years combined. Lord Young was stung into defending his Department's high-spending approach in the Lords, going so far as to claim that publicity spending in the final year of the last Labour government had, after adjustment for inflation, been higher than in 1987-8.

He remains unrepentant about the need for advertising on such a scale and insists that the funds are used for informational purposes only.

The same message emanates from the COI, which dismissesaccusations of political bias in government advertising and stresses that it remains very sensitive to the dividing line between information and persuasion.

Labour argues that it is no coincidence the areas of the largest increase in spending are those of most political sensitivity for the Government. It claims that government advertising campaigns and those mounted by the Tory party often prove remarkably similar and accuses the government of what amounts to "subliminal political advertising".

Mr Tony Blair, who until this month was Labour's trade spokesman, claimed the Enterprise Initiative television advertisements involved value judgements of a political nature and could not be described merely as imparting factual information as laid down by the IBA's own guidelines.

Mr Blair's complaints echoed growing parliamentary concern over the sharp rise in government spending on advertising and, in particular, the rising DTI budget. In a highly unusual intervention, Mr John Major, the Chief Secretary to the Treasury, wrote to Lord Young on the issue. Some ministers interpreted the move as an attempt to curb the DTI's ambitions for spending on advertising.

Lord Thomson of Monifieth, the IBA chairman, has also entered the controversy by admitting concern over the Government's advertising campaigns. He acknowledges that ministers are using the persuasive and visual skills of advertising agencies to a degree which government has not done in the past and concedes that the change entails "the risk of transgressing the line between objective information and making a party political point".

The Opposition argues that, in many instances, the rules governing television advertising in particular tend to favour the Government. While the Government, for example, can run a advertisement promoting a forthcoming privatisation, a television campaign mounted by opponents of the strategy would not, on the other hand, be accepted; while British Nuclear Fuels can encourage visitors to its Sellafield plant, Greenpeace claims it cannot mount an anti-nuclear campaign on the nation's screens.

Whatever the arguments, there are no signs that the Government's advertising strategy is set to change. There is a very full agenda of legislation ahead, and most ministers remain convinced that advertising, within the framework clearly set down, will remain a cost-effective means of telling the electorate of the changes which affect their lives. The recent controversy may, however, lead to closer monitoring in order to restrict potential abuses and to a little more caution on the part of those who risk overstepping the guidelines.

Michael Cassell

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Media buying: Saatchi's tough strategy is being watched closely

Strength to match the proprietors

MEDIA BUYING, long regarded as the poor relation of the advertising industry, has this year acquired new status.

Recognition of its importance has been growing with the ever-rising cost of television advertising time. Advertisers' minds have also been concentrated on this sector of their operations by the advent of new media, the prospect of the single European market, and the increasing complexity and fragmentation of the advertising audience.

But it is Saatchi & Saatchi that has given dramatic point to the changing scene, with its acquisition of Ray Morgan & Partners, one of the leading media independents, around which it has now centralised the media departments of its four UK advertising agencies in a new company called Zenith.

John Perriss, Saatchi's worldwide media director, explains the restructuring as a counter to the concentration of media ownership.

In the UK, Perriss points out, Rupert Murdoch has 34 per cent of the national press market; in West Germany, Axel Springer has 65 per cent; and in Sweden, the Bonnier family controls 60 per cent of the weekly magazine market.

Advertisers and their agencies would be negotiating at a disadvantage unless they could match this strength, Perriss says. Saatchi's combined buying power of around £700m a year in the UK, 15-17 per cent of the market, would give it and its clients a strong negotiating position.

Saatchi's clients have so far accepted the strategy, despite some reservations, and a lack of firm promises about reductions in their costs.

Critics have suggested that the main beneficiary will be Saatchi itself; that the move is driven not by any advertising rationale but by the demands of Saatchi's bottom line and the City.

Perriss retorts: "We are doing it because we believe we can get a better deal for our clients, and that means a competitive advantage for us, which in turn means we win more business."

He concedes there are problems – and his rivals have been quick to enumerate them. Size should bring discounts, critics agree. But they point out that skilled negotiators are already getting good deals, and that there is a limit to the use of muscle – demand will still put a premium on prime slots, and media owners are not going to surrender to rates that put them out of business.

Then there is the knotty problem of client conflict. Zenith will be buying television time, for instance, for two car manufacturers, Austin Rover and Saab. That could pose awkward questions – Is Austin Rover's spending clout being used to get Saab discounts? Will Austin Rover always be given the better slots?

Or is the important question really whether both Austin Rover and Saab get better deals than other car makers outside the Saatchi umbrella?

Finally, critics say, the centralisation of media buying brings closer the practice of "broking", currently outlawed by the Independant Broadcasting Authority. IBA rules forbid the ITV companies from selling advertising time wholesale to an outside agency for retailing to advertisers. But there are many who believe this must change – and who predict that many clients will revolt against it by buying their own advertising time and space direct from media owners, as Unilever, the UK's biggest advertiser, in effect already does.

But whatever the criticisms of Saatchi's strategy, a lot of other agencies have been discussing similar moves. Ogilvy & Mather is talking to Omnicom about the possibility of amalgamating their worldwide media operations. If they get together, says one agency executive, "everyone else is going to be looking for a dance partner".

Other agency and independent media buyers are also combining to muster greater resources to tackle the complexities of the market and the European dimension.

Wight Collins Rutherford & Scott (WCRS) this year acquired 50 per cent of the leading French independent, SGGMD, and formed a joint venture company, Carat Espace, to give it a firm foothold in the European market.

Tim Breene, WCRS deputy chief executive, is at pains to stress that this venture, unlike Saatchi's, is neither centralised nor motivated by any idea of trials of strength with media owners. Carat's advantages will lie, he says, in its combination of expertise in international and local markets, in its flexibility, and in its co-operation with media owners.

Prospects of the single European market have impelled other UK and international agencies to seek alliances in continental Europe where media-buying clubs have been springing up like mushrooms.

Saatchi, itself, is a member of Le Club Media in France; and partners D'Arcy Masius Benton & Bowles, Young and Rubicam, J Walter Thompson, and Leo Burnett in the Media Buying Centre in the Netherlands.

Young & Rubicam is a partner with Havas of France in the French media buyer, HDM; and in Spain, Y&R buys media jointly with Leo Burnett and Grey.

In Britain, all these moves raise a question mark over the future of the media independents which, in the past decade, have captured around 20 per cent of the market. How will they fare against the size, resources, advertising knowledge and international networks offered by agencies now fully alive to the importance of the media sector.

The Association of Media Independents says that many advertisers will still prefer to choose their services à la carte instead of from an agency's fixed menu; that expertise and commitment will still be more valuable than muscle.

AMI chairman, Chris Ingram, whose own company, CIA, is one of the largest independents with billings of £49m, says: "Lots of multinational agencies boast of muscle while, in fact, they're simply muscle-bound.

But Ingram, himself, has recently set up two joint ventures, one of them with an advertising agency, and has been talking on behalf of AMI with major European independents in an attempt to tighten existing links.

"Being big," he concedes, "has suddenly become strategically important. Organic growth is no longer enough."

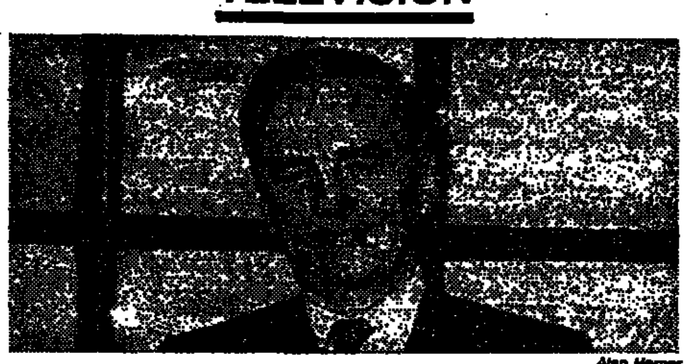
That has also been recognised by the biggest, and the only quoted, media independent, TMD Advertising Holdings, which a few weeks ago paid some £4.5m for another independent, Yershon Media.

David Reich, TMD chairman, denies that he is following in Saatchi's footsteps. The two companies will remain autonomous and compete for business.

But if the tactics are different, the move is clearly a response to the same changes in the media. Mike Yershon, one of the most widely respected men in the business, says: "Although we were growing at 40 per cent a year, the group had to acquire, be acquired, or merge with another company." Mass, in other words, has become critical.

Philip Rawstorne

TELEVISION



Alan Harper

Mr Rupert Murdoch: praised by the advertising industry

New channels to cut airtime cost

ADVERTISERS have long complained about the shortage of television airtime in the UK, and the apparently ever-increasing sums of money they have to pay to get their products on air.

The inflation in airtime costs has been running at around 25 per cent a year. This has been fuelled, in particular, by new commercial sectors such as financial services, which have begun to use television advertising in a big way for the first time.

The arguments of the advertising industry about the rising costs of airtime have, it seems, been taken on board by Mrs Thatcher, the Prime Minister. She has expressed concern that small companies are effectively being excluded from advertising their products and services on television.

The arguments of the advertising industry were clearly taken into account in the Government's recently-published white paper on broadcasting: the decision has been made to encourage new channels and new technologies so that the viewer gets more while, at the same time, downward pressure is applied on both airtime and production costs.

Mr Douglas Hurd, the Home Secretary, introducing the white paper, spoke with pleasure about the possibility of dozens of new television channels funded by a mixture of advertising, subscription and sponsorship.

Most of the new channels will be delivered by satellite and, at least in the early days, subscription will be a more important source of revenue than advertising.

The main new opportunity for advertisers will be the launch of a new national Channel 5 in 1992-93 capable of reaching up to 70 per cent of the UK population. There is the more remote possibility, too, of an eventual Channel 6 reaching 30-40 per cent of the country.

The apparent opportunities for advertisers, however, extend beyond a new commercial channel. An important element of Government policy is the breaking up of the vertically integrated television industry in order to get more internal competition between its constituent parts. As part of that process, many more television licences will be issued by the new Independent Television Commission which will replace the Independent Broadcasting Authority. Channel 5 itself will probably be offered to broadcasters in the form of segments of hours daily. For instance, the daytime hours will probably be offered as a separate licence, with an entirely different company providing Channel 5's programmes in the evening.

A similar process could happen at ITV, which the Government suggests could be known as Channel 3 in future. The white paper has certainly made it clear that ITV's night-time hours – and one of the BBC's television channels in the early hours – will be advertised as separate commercial licences.

The advertising industry has also been successful in persuading the Government that Channel 4's airtime should in future be sold separately from that of ITV. At the moment, ITV sells Channel 4's airtime and funds both Channel 4 and the Welsh Fourth Channel, with an annual subscription based on 17 per cent of total advertising revenue.

When the changes envisaged in the white paper are finally implemented advertisers will have a variety of sellers of airtime to go to and it seems virtually certain that the cost of a 30-second slot of advertising time will fall.

Advertisers have welcomed the new channels and, in particular, the opportunities they should give to target advertising at distinct segments of the market.

However, despite the opportunities that the new, more competitive market-place will bring for more precisely directed advertising, there are fears that a fragmentation of the audience will mean higher overall costs to advertisers. An advertiser may need to advertise on many channels to reach the current proportion of the population.

Of more immediate impact than the white paper proposals – which will only start to change the television advertising environment in the early 1990s – will be satellite television.

Astra, the 16-channel Luxembourg television satellite, is due to be launched on December 9 and begin broadcasting on January 20 next year. The Astra channels will include four channels of Mr Rupert Murdoch's Sky Television and two from W.H.Smith, the retail group, which has a television division. Both will fund their services from a mixture of advertising and subscription.

Mr Murdoch won warm praise from the advertising industry recently when he not only announced that the television revolution had arrived but promised to undercut ITV rates by at least 25 per cent.

The Sky Television audience will depend, however, on how quickly people can be persuaded to buy the receiving equipment. There is considerable scepticism about claims that there will be a million receivers in UK homes at the end of the first year.

Next autumn advertisers will have an even greater number of opportunities to advertise on television when British Satellite Broadcasting launches its three new channels. BSB's film channel will be subscription financed, with the other channels hoping to attract advertising. At this stage it is impossible to say how quickly BSB or the satellite channels will attract advertising revenue.

Cable television in the UK is showing considerable signs of life after a slow start, with major US cable operators demonstrating a willingness to invest in the British industry. Last year in the US cable advertising revenues topped $1bn and are projected to rise to $1.5bn this year.

At least until the 1990s cable is unlikely to be large enough to represent anything other than a local advertising opportunity.

Despite all the talk of a television revolution, for the foreseeable future an advertiser wanting to reach a mass audience using television will have little option other than to go to ITV and buy in prime time. And there is little sign of any dramatic drop in costs.

The Advertising Association believes advertising expenditure on television will rise by a total of 14 per cent this year – 10 per cent in real terms. The best hope the Advertising Association can give advertisers is a slowing down of the rate of increase – to a 5 per cent real growth in 1989 and 3 per cent real growth in the first half of 1990.

Raymond Snoddy

NEWSPAPERS

Colour counts in the fierce war

THE national newspaper industry in Britain has embarked on a new phase of growth: the industrial relations revolution, with its dramatic peak at Wapping, has gradually spread through every national title.

There has been a plethora of new sections and new colour magazine; an ever-expanding Sunday Times has been trying to turn itself, in size at least, into the New York Times of Europe.

All this expansion, and the increasingly cut-throat competition it implies, is being driven by lower costs, the availability of new modern printing presses and more flexible working practices – rather than any newly-discovered bottomless pit of advertising revenue.

Newspaper advertising revenues have been growing. According to the Advertising Association Forecast of Advertising Expenditure, there will be 13 per cent growth for the national newspapers this year. Because of the strong performance of classified advertising, the regional press is growing at a faster rate than the nationals, with an 18 per cent rise forecast for this year.

The Advertising Association believes that the next two years are likely to provide a period of consolidation for press advertising, with classified, both for recruitment and property, growing much more slowly in 1989 and 1990 as high interest rates affect demand for labour and housing.

The apparently reduced entry costs to the newspaper industry are still attracting launches of new titles – often with disastrous results. The North West Times, which seemed on paper to be a plausible idea for a new quality regional, crashed in flames after only seven weeks.

Second time around, Mr Eddie Shah managed to avoid all the technological pitfalls at The Post that had made the birth of Today so painful, but still ran head-on into the established titles of the mass tabloid market – The Sun, Daily Mirror and The Star.

After his first week Mr Shah was fighting for survival with sales estimated by the trade at around 200,000.

Mr Eddie Shah: avoided the previous technological pitfalls

At the opposite end of the market, The Sunday Correspondent hopes to launch a new up-market paper in the spring, complete with colour magazine, whether or not The Independent decides to turn itself into a seven-days-a-week newspaper. The Sunday Correspondent believes there is a market gap because the quality dailies now sell 22 per cent more copies than they did in 1982, while the Sundays sell 3 per cent fewer.

Mr Bruce Fireman, managing director of Fireman Rose, the venture capital company, and the man who raised the money for the launch of The Independent, doubts the existence of such a gap. Fewer people, he says, now buy two Sunday newspapers and, in any case, the nature of Sunday leisure has changed.

However The Sunday Correspondent fares, the national newspaper battle is becoming increasingly intense. The hope of many publishers, such as Mr Robert Maxwell, publisher of Mirror Group Newspapers, is that the vast investment in new colour presses – more than £200m in Mr Maxwell's case – will help newspapers to win back some of the advertisers lost to television.

At the very least, it should help the press to hold on to its share of a growing cake as the opportunities multiply to advertise in the electronic media.

Raymond Snoddy

ADVERTISING 4

Magazines: revenue is up, amid the new launches for women

More titles, fewer readers

FOR OVER a decade the world of women's magazines has been, at best, one of the sleepiest sectors of the media. Circulation slipped; advertising was sluggish; new launches were few and far between. But in the last year or so women's magazines have woken up.

Suddenly the magazine market has been awash with new launches. The giant publishing groups have poured millions of pounds into advertising; sales have soared; advertising has revived. But profitability has come under pressure, as the world of women's magazines has become more competitive than ever before.

If Bella is excluded from the ABC figures, the sales of the women's weeklies fell by 8 per cent in the first six months of the year

The architects of this revival are Grüner + Jahr, and Bauer, the West German publishing houses: they have invested millions of pounds into introducing their titles to the British market with devastating consequences.

Until the West Germans arrived, the magazine market had been dominated by IPC, a subsidiary of the Reed International publishing empire.

IPC – or the "Ministry of Magazines" as it is dubbed in deference to its bureaucratic management structure and 1960s modernist headquarters on London's South Bank – had towered over the magazine market since its formation in the 1960s.

Condé Nast and National Magazines, both subsidiaries of US publishing empires, had colonised the "glossy" magazine market with Vogue and Cosmopolitan respectively. But IPC was the most powerful force in consumer magazines, thanks to its monopoly of the women's weeklies.

Woman, Woman's Own, Woman's Realm and Woman's Weekly were the leaders of a market in long-term decline. Only a few years ago one of IPC's executives predicted that the weeklies were unlikely to survive beyond the end of the 1990s.

But two years ago this sleepy world was shattered when Grüner + Jahr unveiled a British version of Prima, a new monthly magazine.

At first glance Prima was the antithesis of everything the market researchers said a contemporary women's magazine should be. Throughout the 1980s, IPC had steered Woman and Woman's Own towards a younger readership with a menu of younger soap opera stars, older pop stars and a sprinkling of sociology.

Prima plumped for a diet of unreconstructed housebound housewifery: with knitting patterns, sewing hints, cookery cards and money-saving tips. The format has been astonishingly successful. Prima now claims a circulation of over a million.

Grüner + Jahr then turned its attention to the women's weeklies with the launch of Best, as a direct competitor to Woman and Woman's Own, while Bauer surfaced in Britain with Bella.

Bauer has been even more aggressive than Grüner + Jahr. It has bolstered Bella with a lavish £9m launch campaign and long-term financial targets that enable the magazine to charge the low – artificially low, or so its competitors say – cover price of 29p. Bella now claims to be the biggest selling women's weekly in Britain and has guaranteed sales of at least 1.1m copies to its advertisers.

Bella's debut has heralded a new era in women's magazines: of extravagant advertising campaigns, frozen cover prices, a bitter battle for advertising revenue and an apparently endless array of new launches.

IPC has battled back against Prima with the launch of Essentials. It has also bought Living and Family Circle from International Thomson, the Canadian-owned publishing group. This autumn it launched Marie Claire, as a joint venture with Société Marie Claire Album, the privately-owned French publishing house.

Meanwhile, EMAP has entered the fray with More. Hola, the best seller in Spain, has surfaced in Britain as Hello! Carlton Magazines, another Reed subsidiary and now part of IPC, launched Riva.

So far the profusion of new titles has stimulated the magazine market as a whole. According to the Audit Bureau of Circulation, sales of the women's weeklies soared by 9 per cent in the first half of 1988.

Advertising revenue has risen rapidly thanks to the fuss and furore over the new launches and the escalation in the cost of television airtime. Whereas in the past the rate of revenue growth for consumer magazines and colour supplements has tended to lag behind the rest of the media, the Advertising Association expects it to match, or even surpass, overall inflation for the next two years.

Yet the new entrants have attracted readers at the expense of the established titles. If Bella is excluded from the ABC figures, the sales of the women's weeklies fell by 8 per cent in the first six months of the year. IPC's glee at the success of Essentials has been somewhat dampened by the decline of Woman and Woman's Own.

In October the euphoria over the new entrants came to an abrupt halt when Riva collapsed. Riva had ventured into new territory as a newsy weekly for the affluent, working women who buy Cosmopolitan or Elle as monthlies, but are not attracted by the existing weeklies.

Riva was greeted with ambivalence. The advertising agencies had applauded the concept, but doubted that the magazine lived up to it. The affluent working women seemed to agree. Riva had set itself the target of selling 350,000 copies, but mustered sales of just 160,000.

After less than two months Riva was withdrawn. Some of its 70 staff were redeployed, the rest have been made redundant. Reed made a provision of £4.5m in its interim results to cover the cost of closure.

Undeterred, the giant publishing groups are forging forward with yet more new titles.

In the meantime the focus for new launches has moved from women's to men's magazines. The latest glossy monthly to appear is GQ – the British version of Gentleman's Quarterly, the American men's style magazine – courtesy of Condé Nast.

The annals of the magazine market are littered with the corpses of men's magazines: from Sir James Goldsmith's Now in the 1970s to the ill-fated Executive in the early 1980s. The British male – or so conventional wisdom has it – is just too traditional to buy a general interest magazine.

Condé Nast, spurred by the success of Wagadon's Arena, is convinced that attitudes have changed. GQ swaggered on to the news stands last month with promises of being "a manual for those who want to enjoy success with style". We shall see.

Alice Rawsthorn

RADIO

'Big bang' is in the air

THE commercial radio industry in the UK, long the poor relation of television, is buzzing with confidence and prospects of dramatic growth.

For the second consecutive year, advertising sales of the industry, which is only 15 years old in the UK, have increased at around 25 per cent a year. This year gross advertising revenue for the Independent Local Radio stations hit £125m for the first time.

"Commercial radio is doing very well," said Mr Brian West, Director of the Independent Radio Contractors Association, the industry's trade organisation.

The growth, he believes, has come from a convergence of positive factors – the growth in retail sales, the high cost of television advertising and the stir caused by Australian investors in the British industry.

New advertisers are being attracted to radio. Barnaby's Carvery, a chain of restaurants in the Grand Metropolitan group, recently mounted a £500,000 radio advertising campaign and reported a sales increase of 20 per cent.

Despite the renewed optimism, commercial radio in Britain has, financially, been a modest affair so far. The small sector has never managed to take much more than 2 per cent of total annual advertising revenues, compared with around 10 per cent in Australia, for example.

All that may be about to change as the Government makes it clear it wants to see three new national commercial radio channels and several hundred local and community stations. Many in the advertising industry now believe it is more than possible that radio could double its total advertising revenue before too long.

The new regime for commercial radio was spelled out in the recent government White Paper on broadcasting. Independent Broadcasting Authority control of radio will pass to a new Radio Authority which, it is expected, will be set up, at least in shadow form, soon after the second reading of the new broadcasting bill next autumn. Its task will be to regulate the industry with "a lighter touch".

All over the country frustrated broadcasters are drawing up plans to apply for local broadcasting licences. Mr John Keith Jones, President of the Federation of National Co-ordination for Community Radio, believes there are dozens of groups which want to run local radio stations.

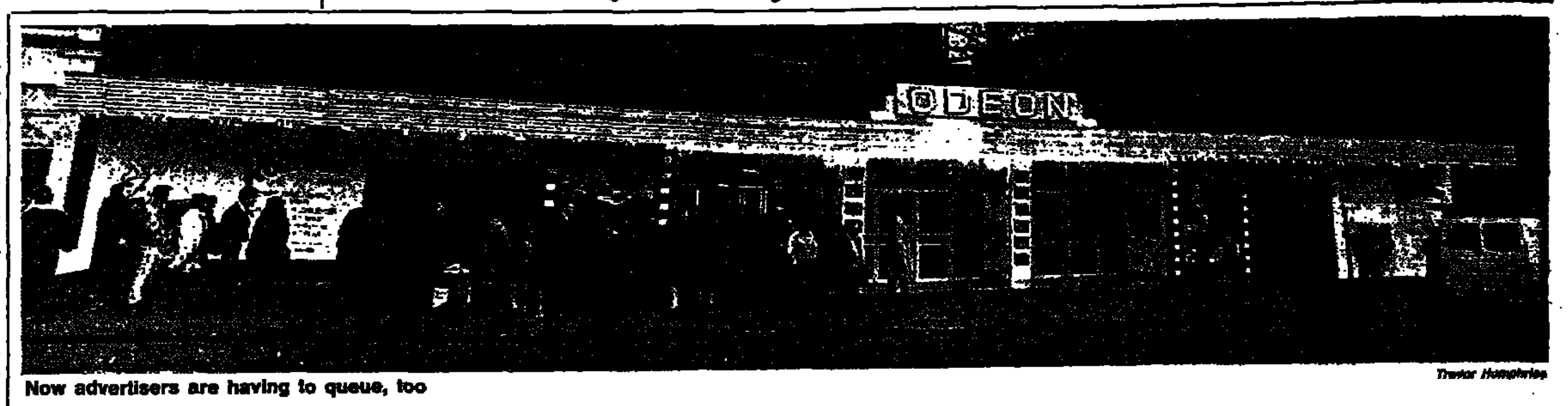
The "big bang" for radio will begin in 1990-1991 but already the loosening up process has begun. The IBA recently announced plans to launch 20 new stations under existing legislation and the suggestions were accepted by Mr Douglas Hurd, the Home Secretary.

The new stations will go on the air in areas already covered by an ILR franchise and will be designed to cater to "communities of interest" or ethnic minorities. They are going to be advertised at the rate of four or five a month and the first of the new stations could be broadcasting by next summer.

One of the suggestions put forward so far is for a commercial classical station for London, Classic FM.

The plan, backed by Andrew Lloyd-Webber's Really Useful Group and Golden Rose Broadcasting, envisages a mixture of popular classical music, news, financial reports and general coverage of the arts.

Raymond Snoddy



Now advertisers are having to queue, too — Trevor Humphries

CINEMA

You're lucky to get in

THE CINEMA may be the minnow among the media fighting for the advertisers' shilling, but it is far from being the least interesting.

In the last two years there have been profound changes beneath a fairly calm surface which has seen revenue rise from £22m in 1987 to a projected £25m this year. This is roughly in line with the steady improvement in cinema admissions, up from 71m to 75m in the last three years.

The biggest change was the acquisition by Cannon of the ABC chain of cinemas. As a result, Rank Advertising, which serviced Cannon, suddenly had access to many more screens and lifted its share of the cinema advertising cake from 40 per cent to 80 per cent, with Pearl & Dean handling the remainder. Since cinema advertising is really in competition with other media, the Monopolies Commission is happy with the situation.

Advertisers and agencies have been less happy with the rise in rates over the last two years, up by 40 per cent, to average around £19.80 a 1,000 viewers. Rank denies this is a misuse of its power; rather an inevitable consequence of a shortage of selling time. Cinemas are reducing the length of their advertising slot in order to fit in more shows, and Rank and Pearl and Dean now send out weekly just a 13-minute advertising programme, as against 18 minutes 10 years ago.

Things might get better as new screens appear in the UK – numbers have risen to 1,236 and another 200 are projected for the next 18 months, but basically cinema is a medium with too much demand chasing limited supply. If you try and book a campaign with Peter Howard Williams, of Rank, he may be able to fit you in at the tail-end of 1989, and the days when you could buy into a particular blockbuster film are long over.

Advertisers are just glad to get on to the screens at any time. There is even the possibility of their booking on an "until cancelled" system; but a further price rise next summer, and perhaps the introduction of a simplified version of a pre-empt scheme as operates on television, with the highest offer securing the space, might be needed to dampen some of the demand.

Cinema is popular with certain advertisers because 80 per cent of its audience consists of the low TV watching under-35 year-olds. More to the point, 56 per cent of them are ABC1, with 65 per cent of London cinema goers falling into this desirable category. Not surprisingly, the biggest advertisers are financial services, jeans and other clothing manufacturers, soft drink makers – and hard. The prominence of alcoholic drink advertising, 30 per cent of the cinema revenue, is worrying to a medium which suffered badly when tobacco was removed from the screens. Hence the drive to broaden cinema's appeal, especially to grocery manufacturers and the financial sector.

Cinema will always be a useful support medium for mixed advertising campaigns, attractive for its selectivity. TV commercials, often extended in time, have much more power on the large screen, and advertisers are prepared to spend up to £250,000 in production costs to get the advertisement right. The fact that they have stuck with the medium during the high price hikes of recent months is a sign of faith.

Antony Thorncroft

POSTERS

Healthy signs out of doors

OUTDOOR advertising, anything from roadside posters, to tube cards, to Piccadilly Circus, is the oldest advertising medium, and, on the surface, the most stable.

Its share of the total advertising expenditure cake has stayed at around 4 per cent for years and in 1988 it will have a turnover of over £230m. But under this surface calm there have been profound changes.

The owners of the 130,000 sites in the UK have started to act like media owners rather than absentee landlords. For years they let specialist companies, often owned by advertising agencies, do all the selling work. Now they are getting to grips with their industry. Last year the second largest company in the field, Mills & Allen, bought the largest, London and Provincial, giving it over 40 per cent of the business in certain areas.

This attracted the attention of the Monopolies Commission and precipitated sell-offs which have led to a segmentation of the market: Mills & Allen and Arthur Maiden dominate the large 48-sheet and 96-sheet poster sites, while More O'Ferrall and Primesight concentrate on the 4-sheet (bus stop and shopping precinct) panels.

What is extraordinary is the disappearance of the traditional 16-sheet sized poster, which in two years has shrunk by over a third in numbers. Now advertisers concentrate their selling messages on 4 sheets, which account for over 70,000 sites, or the larger spaces. Since 1986 the mammoth 96-sheet posters have grown by two-thirds, to total almost 1,200, largely because contractors have blended together six 16 sheet sites to create space for a more compelling message.

The renovation of the outdoor industry is quite remarkable. Traditionally it was a poorly researched medium, difficult to buy into and dominated by the drink and tobacco industries, who hogged all the best sites. Now it is flexible, attracts many new advertisers, and can offer research findings comparable to television. From this month Poster Marketing, the trade body responsible for modernising the industry, will give you a profile of both the quantity and the quality (in terms of sex, age and income) of the passers-by of any site in the UK.

Among the heavy new advertisers are two rival media, the press and television. The Independent was virtually launched on posters and both London Weekend Television and the Express Group have been using it for successful advertising campaigns in which the message changes weekly.

The first half of 1988 was particularly good for outdoor, with revenue 16 per cent higher, and with a quoted cost for reaching a thousand adults of 62p (for 48-sheet) as against 391p for television. The biggest advertisers were Ford and British Rail Intercity, both of which committed over £1m in six months, but fast-moving consumer goods brands, like Pedigree Chum, Heinz, and Nescafe, were investing over £500,000.

Outdoor is still sorting out the financial relationship between site owners, specialist companies, agencies and advertisers, and some of the reputation for sharp practices still hangs over it. But with the small sites offering impact at the shopping place, while the large open spaces allow a selling message with plenty of impact, this at last seems to be a medium which can stand alongside TV and the press with few inhibitions.

Antony Thorncroft

Top 20 poster spenders: first half 1988 (£000s)

1	Ford car range	1,190
2	British Rail Intercity	1,138
3	Austin Rover 800 series	970
4	The Independent	933
5	Shell	845
6	Pedigree Chum	717
7	Esso Superlube	648
8	Mobil Oil	647
9	Heinz Weight Watchers	620
10	Peugeot 405	612
11	Nescafé coffee	596
12	Coloroll wallpapers	598
13	Campaign for Independent Financial Advice (Camifa)	596
14	DHL Courier	547
15	Reed Employment	530
16	Carlsberg lager	527
17	Legal & General Assurance	524
18	Sunday Express	518
19	Volvo car range	504
20	Smirnoff vodka	484

Roadside posters only; tobacco and charity advertising excluded. Figures based on OAA contractor bookings with estimates validated by Poster Specialists. Source: Poster Scene/Media Register Jan to June 88 inclusive

The large open spaces allow a selling message with plenty of impact — Trevor Humphries

هكذا من الأصل

Femme fatale with a touch of genius

William Packer in Paris reviews the sculpture of of Camille Claudel

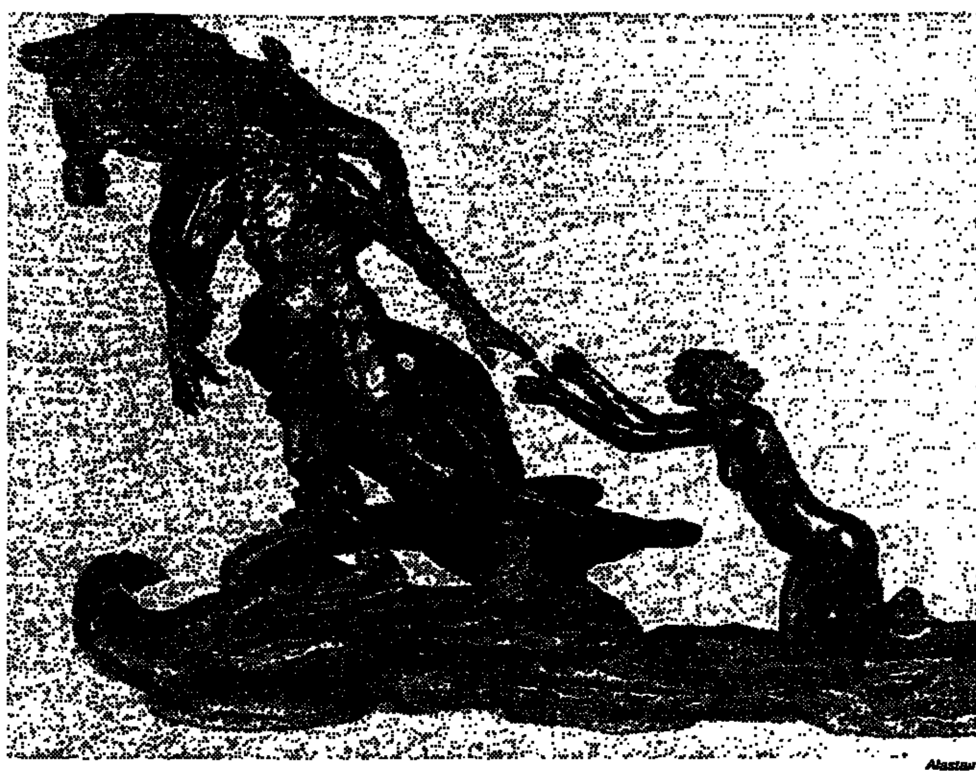
For an artist, and a woman, to be portrayed on screen by the delectable Isabelle Adjani is surely to achieve apotheosis. The film *Camille Claudel*, with Miss Adjani in the title role, has lately been released in France, and last week in Paris here was the face on every cover and "*la vie dolorese*" of poor Camille the talk of the town.

But the trouble with the artist bio-pic is that it is not the art that draws in the punters but the life, and the more irregular the better. To hear, therefore, in these feminist times of a great talent laid out at the feet of male, romantic genius, to be exploited, neglected and finally deranged, is to be put on one's guard against what could well be blatant special pleading.

Luckily two small exhibitions of the actual work of Camille Claudel effectively dispel such chauvinist scepticism and give substance to the reputation.

The more general show has been put together by Danielle Ghanassia for the Galerie H.Odermatt-Ph.Cazeau (85 bis, rue du Faubourg Saint-Honore, Paris 8me: until January 31). It consists principally of bronzes cast during her lifetime by Eugene Blot, who was also her dealer, with a few related works by Rodin to set the context and make the point. And at the Musée d'Orsay (1 rue de Bellechasse, Paris 7me: until January 8; then to Lyon until April 30) a small study and documentary exhibition is centred upon the larger version of her most ambitious surviving work, *l'Age mûr* (Maturity), a group of of three figures dating from 1903.

She was born late in 1864 into a petty-bourgeois family in a village near Rheims, with a younger sister, Louise, and a brother, Paul, the writer, younger still. A precocious facility for sculpture persuaded her family to allow her to go to Paris at the age of 17 to study at the Academie Colarossi where, in 1883, Rodin came to teach. In 1885 she entered his studio as his pupil, model and working assistant, and inevitably his mistress.



Alastair Muir

"L'Age mûr:" bronze, 1903: on show at the Musée d'Orsay

But just as Rodin would never commit himself entirely to her, so she remained significantly independent of him, both in her life and, which was more important, in her work. She kept her own studio and led a life to some extent apart. Her talent was soon confirmed in practice, with Rodin happy to allow her to work directly on his major commissions of the late 1880s, such as *The Gates of Hell* and the *Burghers of Calais*, to which she made a positive and identifiable contribution.

Camille Claudel was a beautiful and striking young woman, but there was more to their affair than mere physical attraction. The case is certainly arguable that she came into Rodin's life at a critical moment in the development of his work and, far from being merely an apt pupil and useful assistant, was able as an artist to exercise a positive and decisive influence over the older man, bringing to the work a fluidity of form and energy of expression not manifest before. If so little remains of her own distinct oeuvre, it is only because so much of it was freely and generously subsumed within the larger exercise.

But in this the seeds of her later resentments and subsequent tragedy were sown. She had hopes that Rodin would marry her, but as it became clear that he would not they moved apart and by 1893 the rupture was complete, though they continued to see it each other and Rodin continued in his efforts to advance her career and critical reputation. But, by degrees, she came to feel ever more betrayed and exploited.

In all of this, *l'Age Mûr*," in the versions in both exhibitions and in the preparatory and related studies that go back through the 1890s, is the key work. Taken at the formal and technical level alone, it is brilliant in its modelling, wonderfully informed in its understanding of the figure, and dynamic in its composition. All is movement, and while we may see in the fluid line something of the decorative essence of art nouveau, there is in the boldness and freedom of the handling throughout, and in the drapery especially, the more radical hint of incipient expressionism.

The early plaster figure, *le Dieu envolé* of 1893, a girl kneeling with hands raised, exquisite in itself, is the clear precursor of *l'Implorante*, the bereft girl of the final composition, but even then the title gives all away. Her God has flown forever, just as Old Age will tear Maturity away from Youth and Beauty, and, of course, from Love.

From this time on Camille became increasingly reclusive, deluded and paranoid, embittered by poverty and obscurity as Rodin continued in his glory and success, though constantly stealing her ideas, as she believed, and thus still creatively dependent on her. From 1906 she regularly destroyed everything she did. By 1913, she was living in virtual isolation, disowned by her mother and sister who had been scandalised by her life with Rodin. She received some covert support from her father, who always loved her, and indeed from Rodin. Of her family, only her brother Paul ever came to see her.

She learnt of her father's death, in March 1913, through a letter from a cousin, for none of her family would tell her. Within a week Paul, now head of the family, had had her committed to an asylum and she was never to be free nor would she work again. She was indeed ill and required treatment, which she never got. She was never violent, and her letters, at first begging for release but growing ever more resigned, make clear that she was lucid and affectionate. The nuns who looked after her were silent and dutiful and she died late in 1943, having been shut away for more than 30 years. It is an appalling story (read *Camille* by Reine-Marie Paris: published in translation by Aurum Press, £12.95).

But the work remains, and though there is so littleit readily justifies the critical rehabilitation that is now taking place. Camille Claudel deserves to be remembered, not as one of Love's many victims, but for what she really was, which was a true artist of real originality and substantial achievement.

★

In Susan Moore's review on the Arts page last Thursday it was erroneously stated that the Leonardo drawings on show at Hazlitt, Gooden and Fox belonged to the Getty museum. None of the drawings in the exhibition was borrowed back from any source.

Shostakovich

BARBICAN HALL

It is a good measure of the success of any concert series when the less familiar programmes are as well supported as the popular works. Of the rash of thematic schemes currently shaping London concert life the Shostakovich project shared by the Royal Philharmonic and the London Symphony Orchestra seems by a long way the most timely and intriguing, and that perception is evidently shared by concertgoers: in Sunday's instalment Mstislav Rostropovich conducted the LSO in the Third and Eleventh Symphonies – the least played of the canon – and the Barbican Hall was virtually full.

Those works are linked not only by their unfamiliarity. Both deal with the Revolution, in ways appropriate to the eras in which they were written. The Third, from 1930, is subtitled "The First of May" and celebrates the significance of May Day in vivid wall-poster style. The Eleventh, "The Year 1905," was composed in 1957 to celebrate the 40th anniversary of the October Revolution, and for all its programmatic realism adopts a much more ambivalent perspective.

It's hard to view the Third as anything but a gaudy frieze, with episode tacked after episode and the whole capped with a choral hymn to the enduring significance of May Day for the Soviet people. Some of it sounds like Slavonic Eric Coates, the rest luridly expressionist, though the level of dissonance in Shostakovich's music had already peaked and begun to decline. Rostropovich relished its noisy excesses and vividly characterised its grotesqueries, which the LSO and its Chorus went on to realise with larger-than-life exactness.

In such a work going over the top hardly mattered, but in the Eleventh, which is laid out far more amply and often with a deeply introspective tinge, some of the climaxes were too fiercely driven. The opening, an image of the square in front of the Winter Palace that magically fuses Mahler and Mu[...] sky was rapt and intense, [...] the terrifying depiction of [...] slaughter of the peasant[...] the second movement carr[...] powerful charge. But [...] ically, and there was a fe[...] when the third, a slow fu[...] march, was reached that [...] tropovich was emphasi[...] programmatic aspects at [...] expense of internal cohere[...]

Echoes of the Tenth abo[...] and the Eleventh is very [...] a vision of early Soviet his[...] for a nation still to com[...] terms with the ending of [...] Stalin era. The 1905 Revolu[...] was brutally repressed [...] all, and the symphony is th[...] fore ultimately a tragic [...] but Shostakovich also pro[...] its implications into [...] recent history. In its way [...] as deeply paradoxical as [...] Fifth, though that did not [...] come across in this per[...] mance, even if the ending [...] driven with a furious en[...] that was hard to deny.

Andrew Cleme[...]

Boulez and Messiaen

QUEEN ELIZABETH HALL

Though Sunday's instalment of the Messiaen 80th-birthday celebrations was needlessly stretched out (less than two hours of music, but with two intervals it ran to three hours), the programme was apt and just enough to quash any complaint. It included Messiaen's pivotal *Quatuor pour la fin du temps* from 1940, composed in a Silesian *Stalag*, and – with his wife Yvonne Loriod as solo pianist – both the evergreen *Oiseaux exotiques* of 1956 and his most recently unveiled piece, *Un vitrail et des oiseaux*.

The Ensemble InterContemporain had Pierre Boulez, an old Messiaen pupil, to conduct the latter two pieces as well as Philippe Hurel's new *Pour l'image*, and to man the electronics for his *Dialogue de l'ombre double* of 1985.

It amounted to a feast of small dishes. The Quartet, polished to a degree below the ideal aural sheen, was nonetheless crisply idiomatic, and the *Oiseaux exotiques* rang out in perfect order. (It sounded less strident than it used to do: is that just the passage of time, or has Boulez relented into a gentler manner?) The new *Un vitrail . . .* proved to be a standard Messiaen rondo: wind chorale (emphasised with tubular bells – this is the church-window element) alternating with bird-lore cadenzas for speedy piano and fluttering winds, and rounded off by a classically extended coda.

Severe and confidently concise; nothing new, but perhaps newly fined-down.

The piece by Hurel, one of Boulez's IRCAM people, experimented tamely for about 13 minutes with a sustained continuity of small changes ag[...] a few sharper, more su[...] irruptions. The effect wa[...] torpor with passing twitc[...] small change indeed. No d[...] the recent Boulez *Dialogu[...]* clarinet and itself on ta[...] 60th-birthday tribute for [...] ano Berio) is equally a s[...] private experiment, one w[...] should feed eventually [...] something more ambitious, [...] it rewarded one's attention [...] better. With virtuoso pla[...] by Alain Damiens, the st[...] ture of the exercise – [...] hantly fleet episodes by [...] live soloist, each pre[...] exploiting its own musical [...] tern and style of attack, li[...] by taped transitions wi[...] swept around the darke[...] hall – was theatrically v[...] Boulez has a delicate ea[...] the clarinet's best possibili[...]

David Murr[...]

Mrs Klein

APOLLO THEATRE

A salute to the brave West End transfer of a success from the National Theatre, a new play moreover, and one that defies easy categorisation.

Or, to put it another way, falls between various stools. In August Michael Coveney reacted enthusiastically to Nicholas Wright's vignette of life among the psychiatrists (or analysts, as they call themselves, more like Americans than European émigrés) in 1930s London. By the late previews at any rate, the magic from the Cottesloe had refused to rematerialise in Shaftesbury Avenue.

This chamber trio for child-analyst Melanie Klein, her resentful daughter (herself an analyst) and a disciple from Germany can operate on different levels. As a comedy of how the esoteric informs everyday life, as when the query "No hard feelings?" prompts the judicious reply, "Not on a conscious level;" or when wine angrily thrown in someone's face is later casually referred to as "trying to drown her in symbolic urine." (A rum lot of boffins, these shrinks.) As our old friend, the paradox of how artists/communicators/the wise fail in relationships/communications/common sense. And as a depiction of the mingled love and rancour, good intentions and destructiveness, of all parent-child relationships.

The writing never settles clearly for any one of these interpretations, and Peter Gill's direction is equally noncommittal. There are signs that a tragi-comedy was intended, and Gillian Barge's splendidly silly, domineering, vulnerable mixture of contradictions in the title role rises to the dramatic occasion without clarifying the play's central uncertainty of how seriously we are meant to take her. A self-obsessed mountebank is a not very interesting protagonist; but a soft centre of baffled maternity ill accords with prima donna cliché eccentricity. And how should we take her professional standing?

The lack of a sense of any real world out there beyond Mrs Klein's book-lined study is emphasised by John Gunter's hermetic, apparently windowless set design, where light comes and goes and darkness falls not necessarily in conjunction with the only visible light-source, a desk-lamp, and there is bewilderingly little sense of time. This artificiality leaves Miss Barge's supporting cast stranded between the stylised and the realistic. As the acolyte Zoë Wanamaker spends most of the evening mooning around reacting to the others, looking rueful, concerned, exasperated and tender in various permutations, her frizzy coiffure and sad clown face evoking Sarah Bernhardt essaying Cyrano de Bergerac. Francesca Annis is evidently projecting both voice and personality less vividly than she did at the National. Apart from a moving moment when she weeps, the chafing child comes over pallidly.

The curious unreality of the proceedings finally promotes nit-picking in sheer pedantic exasperation. For a product of *mitteleuropa* Mrs Klein has an odd way with the pronunciation of "Riesling." Where in early 1930s (seemingly pre-Glyndebourne) England, one wonders, could the opera-going daughter see *that* rarity, *the* yet to be rehabilitated *Così*? And the least convincing telephone bell I have ever heard in the theatre sets a rather perfunctory seal on this theatrical Never-land.

Martin Hoyle

Gillian Barge and Zoe Wanamaker

Alastair Muir

Club Monkey

WATERMANS ARTS CENTRE

"Good evening, oppressed people of Mong," says a Frank Chicken, her face stretched in a stay press grin reminiscent of Thai Air advertisements. "So now on whenever I say oppressed people of Mong, please act as oppressed as possible." A hearty collective groan goes up from the people of Brentford who, minutes earlier, had shown every sign of being oppressed by uncertainty as to how they should react to the introduction of "Crub Monkey." The Frank Chickens soon make it clear that laughter is not only permitted but demanded in a show which uses self-parody as an offensive weapon, slashing through the fashionable Western addiction to a Japanese culture comprising "Sushi, Sake, Samurai and Sumo."

The popularity of this two-women cabaret team rides on the back of a fascination for all things *Japanese; they know it*, and have used it to turn out one of the most engaging, absorbing and idiosyncratically stylish acts around. For Club Monkey they team up with performers Judy Pascoe and Tony Haase, musicians Clive Bell and Grant Showbiz, and directors Charlie Hanson and Barry Edwards, to create a cross-breed musical pantomime with one foot in Eastern Pop, another in straight seasonal entertainment and a third in a Buddhist political discourse of power and perspective.

Each element feeds off the others, in a show elegantly set by Julian Cripps to evoke state-of-the-arts technology and paper-lantern tradition. Crub Monkey, we are told, takes place in a mortuary, where the monkey people employ their power over the dead to bring about a state of revolution. The plotline, such as there is, centres on their control of a Kyonshee (ghost) called Jerry who, being a western cadaver falls outside the terms of reference dictated by the colonial powers-that-be, embodied in the towering, safari-shorted figure of Tony Haase.

This gives Judy Pascoe a chance to lurch hilariously around the stage as a cut-come-again Frankenste[...] monster with a Buddhis[...] over her face, the presenc[...] absence of which determ[...] whether she is amenabl[...] monstrous.

Kazuko Hohkim, foun[...] member of Frank Chickens [...] Atsuko Kamura, a re[...] replacement, exploit [...] throw-away humour of [...] alternative comic to prop [...] show which makes a poin[...] technical and thematic in[...] fections: there is no den[...] the occasional hiatus cre[...] by apparently genuine lin[...] tic lapses, but neither is t[...] any denying the charism[...] complexity of a duo wi[...] style all of their own. [...] show, to coin a phrase, sh[...] Lum and Lun.

Claire Armitste[...]

SALEROOM

Antiquities in vogue

There is exceptional demand for antiquities at the moment and Sotheby's sale in London yesterday was a resounding success with the morning session totalling just over £1m and less than 9 per cent unsold. The top price was the £55,000 paid for a Hellenistic pale green glass footed bowl, 20.5cm in diameter, which was produced some time between 300 BC and 100 AD. Only four examples are known and the other three are in museums.

An Attic red figure stamnos (vase with handles), attributed to the artist known as Deepdene and dated around 470 BC, went for £49,000, as against a top estimate of £8,000. It depicts Theseus chasing a young girl, probably Helen, and has been in the well known Bolla collection, rescuing it from the obloquy of being a recent steal from an Italian grave. Sixteen works have been attributed to this artist. A Greek marble head of a youth, 16.5 cm high, dated to around 340 BC, went for £41,800.

The morning session of Christie's sale of Chinese works of art looks fairly disastrous with almost half unsold out of a total of £426,065. In reality it was just three important lots which produced the high bought in figure, especially a pottery figure of a court lady from the early Tang dynasty, 34 cm high, which was unsold at £110,000.

The rarest item on offer [...] a large Annamese polychr[...] saucer dish, 36.4 cm in dia[...] ter, dating from the 16th [...] tury, and depicting a b[...] Polychrome dishes from [...] is now North Vietnam are [...] rare and this one doubled [...] top estimate at £22,000. The [...] price was the £49,500 paid f[...] Tang dynasty pottery figur[...] a matron, rather like [...] unsold lot, but obviously [...] a lower reserve. The H[...] Kong dealer Robert Ch[...] bought a rare Ming blue [...] white jar for £33,000.

Stars in the US have alw[...] been good customers in the [...] erooms, not least Bar[...] Streisand. On Saturday [...] paid almost £200,000 ($363,[...] for an American arts and c[...] oak sideboard made in 190[...] Gustave Stickley. The p[...] was four times estimate [...] set a record for any item [...] Arts and Crafts furniture.

Habsburg Feldman [...] Geneva has just held its [...] sale in New York. It dispo[...] of clocks, watches and je[...] lery for $3.4m, with a top p[...] of $170,000 for an astronomi[...] carat pink gold gentlem[...] wristwatch with moon pha[...] perpetual calendar, chro[...] graph registers and tach[...] ter, made in the 1950s by P[...] Philippe. The watch doubl[...] its estimate.

Antony Thornc[...]

Opera director leaves

Following his production of *Das Rheingold* at Covent Garden last September, the Russian director Yuri Lyubimov has asked to be released from his contract to complete Wagner's *Ring* cycle for the Royal Opera.

The Royal Opera's Managing Director, Jeremy Isaacs, has confirmed that after arti[...] differences between Mr Ly[...] mov and Bernard Haitink, [...] Music Director, it had [...] agreed that the cycle w[...] proceed as planned onl[...] there was absolute confid[...] between them. No such con[...] sus was reached and the R[...] Opera House has agree[...] release Mr Lyubimov.

ARTS GUIDE

December 9-15

OPERA AND BALLET

London

Royal Opera, Covent Garden. The second opera production by *Nuria Espert to be given by* the Royal Opera is a new Rigoletto, designed by Ezio Frigerio, and conducted by Michael Boder (British début). Brent Ellis, June Anderson, and Neil Shicoff take the leading roles.

English National Opera, Coliseum. The Christmas treat is a new production of a Rimsky-Korsakov rarity, Christmas Eve, produced by David Pountney (in his own translation). Albert Rosen conducts, and the cast *includes* Cathryn Pope, Edmund Barham, Anne-Marie Owens, John Connell and Nigel Douglas. Last performances of the second of Philip Glass's operas to be given by this company, The Making of the Representative for *Planet 8*, which leaves by and large a feebly undramatic impression; and many more of The Mikado, in Jonathan Miller's jolly, updated production, which has returned to the house in sparkling condition.

The *Royal Ballet*, Covent Garden. Sleeping Beauty remains in the repertory and on Dec 14 *Ashton's* Cinderella returns as a Christmas treat.

Paris

Théâtre de la Ville. Josef Nadj in The Seven Skins of the Rhinoceros. Using surrealistic images, the Hungarian choreographer translates his childhood and war memories. (42742277)

Brussels

Théâtre Royal de la Monnaie. Norma, the concert version, with Sharon Sweet as Norma, and Martine Dupuy as Adalgisa. Cast also includes Harald Stam, Robert Lloyd, Nino di Stefani and George Gray. Chorus and orchestra of the Monnaie conducted by Sir John Pritchard (Sat. Tues). The Mark Morris dance group, Bejart's successor puts a modern American stamp on Baroque Oratorio in The Gloria of Vivaldi (Fri, Thurs) and L'Allegro, Il Penseroso ed IL Moderato of Handel (Sun, Wed). (218 12 11). **Palais des Beaux-Arts.** Les Ballets Russes brings dancers from the Kirov and the Bolshoi to perform scenes from Sleeping Beauty, Giselle and other works. (Tues) (512 86 78).

Vienna

Staatsoper. Der Fliegende Holländer, conducted by Sir Charles Mackerras with Nancy Johnson, James Morris, Hans Tschammer and Thomas Moser. *Le Nozze di Figaro*, conducted by Peter Schneider, with Margaret Price, Ann Murray and Ruggero Raimondi. Manon, conducted by Adam Fischer, with Edith Gruberova, Francisco Araiza, Pierre Than and Gottfried Hornik. Rusalka, conducted by Vaclav Neumann, with Gabriele Lechner, Gabriela Benackova-Cap and Peter Dvorsky. Die Walküre, conducted by Horst Stein, with Leonie Rysanek, Hildegard Behrens, Ute Walther, Siegfried Jerusalem. (51444, ext 2650). **Volksoper.** Der Freischuetz, conducted by Diefried Bernet. Die Lustige Witwe, conducted by Herbert Mogg and Die Zirkusprinzessin, conducted by Fabrizio Ventura. (51444. ext. 2662)

Berlin

Deutsche Oper. Otello has a star cast led by Raina Kabaivanska, *Kaja Borris*, *Vladimir* Atlantow and Renato Bruson. The rarely played Die Hugenotten features Angela Denning, Pilar Lorengar, Anrea Andonian and Victor von Halem. Hansel und Gretel is a Philippe Sanjust production.

Bonn

Der Nussknacker is choreographed by Youri Vamos with dancers Joyce Cuoco, Anna Vita, Roberta Mazzoni and Marc Ribaud.

Hamburg

Hamburg Opera. La Traviata *continues with Julia Varady*, brilliant in the title role. Gabriele Schnaut sings Isolde in Tristan und Isolde with William Johns Tristan, Julia Juon as Brangane and Harald Stamm as Konig Marke. Der Nussknacker is a *wonderful John Neumeier* choreography.

Cologne

Cologne Oper. Die Zauberflote has fine interpretations by Susan Burghardt, Dieter Schweikart, Patrick Power and Teresa Ringholz. Hansel und Gretel has Andrea Andonian and Adelle Nicholson in the main roles.

Stuttgart

Tosca is a well done repertoire performance with Awilda Verdejo, Michael Sylvester and Karl-Friedrich Durr. Also offered is the rarely played operetta Der Karotenkonig and Hansel und Gretel.

Frankfurt

Opera. Der Fliegende Hollander, Jonathan Miller's production returns with Robert Hale in the title role, Luana DeVol as Senta, Manfred Schenk as Daland and William Cochran as Erik. Also Der Barbier von Sevilla and Cosi Fan Tutte. *Fidelio brings Sabine* Hass, William Cochran, Hartmut Welker and Franz Mayer together. Artifact, danced to music by Stravinsky is a William Forsythe choreography.

Amsterdam

Netherlands Opera, Muziektheater. Madama Butterfly directed by *Monique Wagemakers. Lucas* Vis conducting the Netherlands Philharmonic, with Hiroko Nishida (Cho-Cho-San), Jonathan Welch (Pinkerton), Anne Mason (Suzuki) and Henk Smit (Sharpless). (Fri, Tue). (255 455).

Eindhoven

The National Ballet with a programme of *pas de deux* by modern choreographers (Fri). The Scapino company with the Nutcracker (Tue). A new production from Krisztina de Chatel's dance group (Thur). Stadsschouwburg. (11 11 22).

Rome

Teatro dell'Opera. Filippo Sanjust's production of Donizetti's rarely-given Poliuto, conducted by Jan Latham-Koenig, with Renato Bruson, Nicola Martinucci and Elisabeth Connell (Fri) and two somewhat tedious ballets to music by Nino Rota: Gattopardo Souvenir, a re-elaboration of the ball scene from the film version of Giuseppe di Lampedusa's novel, The Leopard, and La Strada with the excellent Oriella Dorella *dancing the part created* by Giulietta Masina in the Fellini film, accompanied by the equally good Raffaele Paganini. (Tues, Thurs) 46.17.55.

Milan

Opera. Winter season opens with Riccardo Muti conducting Luca Ronconi's complex and realistic production of Rossini's William Tell, *in its full-lenth* version of more than five hours. Ronconi makes use of film of the shores of Lake Lucerne and surrounding mountains and forests projected onto the backdrop, and the ballet in the third act is performed *on* real grass. American *tenor* Chris Merritt sings Arnold, Giorgio Zancanaro the title role, and Lella Cuberli alternates with Cheryl Studer as Mathilde (*Sat* and Wed) also a concert performance of Verdi's Simon Boccanegra conducted by *Georg Solti*, with Kiri Te Kanawa and Paata Burchuladze. (80.91.26).

Florence

Teatro Comunale. Pier-Luigi Samaritani's production of Puccini's Madame Butterfly conducted by Bruno Bartoletti, with Catherine Malfitano (Cho-Cho-San), *Mario Malagnini (alternating* with Richard Leech) as Pinkerton and Jonathan Summers (Sharpless). Box office: 2779236.

New York

Metropolitan Opera House, Lincoln Center. The first seasonal performance of Le Nozze di Figaro is conducted by Mark Elder in his premiere season, with Roberta Alexander as Susanna and Thomas Hampson as Almaviva. Sonja Frisell's production of Aida features Leona Mitchell in the title role, *Placido* Domingo as Ramades and Sherrill Milnes as Amonasro, conducted by James Levine. Performances of Madama Butterfly continue, conducted by Myung Whun Chung, with Yoko Watanabe as Cio Cio San and Giorgio Lamberti as Pinkerton. Marilyn Horne plays the title role in Carmen with Veriano Luchetti as Don. José in Paul Mills's staging conducted by Placido Domingo. (362 6000)

New York City Ballet, State Theatre, Lincoln Center. The 40th anniversary season features 26 works by George Balanchine, nine by Jerome Robbins, five by Peter Martins, and a month of Balanchine's Nutcracker. In *addition*, works by Laura Dean, Eliot Feld, William Forsythe, Lar Lubovich, commissioned for this season, will be interspersed in the season, which ends Feb 26. (496 0600)

Washington

Kennedy Center Opera House. Joffrey Ballet, perform Gerald Arpino's choreography *to* The Nutcracker, staged by George Verdak and Scott Bernard as *set* in Victorian America, circa 1850. Ends Dec 17 (254 3770)

Chicago

Lyric Opera, Civic Opera House. Maria Ewing recreates the role of Salome she performed in London and Los Angeles in Sir Peter Hall's production. Conducted by Leonard Slatkin, with James King as Herod and Franco Farina as Narraboth. Samuel Ramey continues as Don Giovanni in Jean Pierre Ponnelle's production conducted by Semyon Bychkov, with Carol Vaness as Donna Anna and Karita Mattila as Donna Elvira. (332 2244).

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Tuesday December 13 1988

Teetering on the brink

IN HIS SPEECH at the United Nations last week, Mr Mikhail Gorbachev remarked that "the world economy is becoming a single organism and no state, whatever its social system or economic status, can normally develop outside it." From the antics of trade ministers assembled not so far away in Montreal, one wonders whether the major powers of the West retain the understanding that the Soviet Union has so painfully acquired.

The task before the ministers at Montreal was a modest one: not so much to agree on trade policy as to agree on how to reach agreement on trade policy. The modesty of the task points up the extent of the failure. Not that the failure was unrelieved, progress being achieved in 11 of the 15 negotiating areas of the Uruguay Round. *Inter alia* there was agreement on how to negotiate the liberalisation of trade in services, on liberalisation of trade in tropical products and on strengthening the General Agreement on Tariffs and Trade in the twin areas of trade policy surveillance and dispute settlement. Unfortunately, even these agreements are now "on ice."

These "successes" need to be kept in proportion. The services agreement, for example, describes the essential principles and objectives of progressive liberalisation of trade in services, policy transparency, national treatment and non-discrimination in weasel words, as "concepts, principles and rules [that] are considered relevant [to the negotiations]." Similarly, the urgency felt about improving dispute settlement and surveillance is more a reflection of the disregard into which contractual obligations have fallen than of their vitality.

Grievous failures

Moreover, the failures are grievous, embracing as they do textiles and clothing, safeguard protection, intellectual property rights and, above all, agriculture. The lack of balance in the US approach to the Uruguay Round is becoming painfully obvious. While finding it virtually impossible to compromise where it seeks liberalisation itself, the US sees little need to make concessions in areas of vital interest to other countries. But textiles and clothing are more important to many developing countries than agriculture to the US. By comparison, the EC can at least claim to be consistent: it demands little and offers less.

The major stumbling block is the American determination to extract a temperance pledge covering all trade-distorting agricultural policies. The demand is inconsistent with the past history of the Gatt, not to mention the less than pure trade policies of the US itself. The US will have to withdraw this demand if the negotiation is to proceed. Sometimes, indeed, the US gives the impression of wanting to see the Uruguay Round fail, provided it can blame the failure on somebody else, most obviously the EC.

Mortal wound

If so, this is an extraordinarily short-sighted policy since failure of the Uruguay Round would mortally wound the Gatt itself. Some in the US and even in Europe wonder why this would matter. They should remember that the Gatt is not so much an international organisation as a contract, the purpose of which is to create a predictable and liberal trade policy environment, within which economic agents can make long term plans for investment and trade. The integrated world economy mentioned by Mr Gorbachev has been the result.

If the contract were to lose its force, the policy environment would become increasingly chaotic, the outcome being not merely slower growth in world trade and income, but a steadily escalating level of mutually impoverishing trade conflict. Ultimately, the entire fabric of co-operation among the major Western powers and the hopes for development of many poorer countries would simply wither away.

Fortunately, the director general of Gatt has been given until next April to find a way of rectifying matters. If he pulls this rabbit out of the hat, he will have achieved something worthy of Sir Eric Wyndham White, the Gatt's legendary first director general. If he fails, those in charge of policy in the major trading powers will fully deserve the blame for having thrown away one of the most valuable legacies of the post-war era.

Over-capacity in fishing

THE DEAL concluded by the European Community's fishing ministers in Brussels at the weekend will hit Britain's fishermen especially hard. Scottish fishermen, in particular, rely heavily on catches of haddock. Now, because of a shortage of this type of fish in the North Sea, they are to be allowed to catch only 40 per cent next year of what they caught this year. There is a shortage of cod, too, though the cuts of 20 per cent in the so-called total allowable catches (TACs), which are administered under the EC's fisheries policy, will be more manageable. However, the fishermen are already demanding compensation for what one of their leaders reckons could be a loss of £30m-£40m from normal landings of some £220m.

The Brussels meeting did not address the question of compensation, mainly because it impinges on the politically sensitive issue of a longer term solution to the fishing problem. Ministers were right to cut the TACs next year, if only because the fish are not there to catch. But so far they have balked at looking afresh at the real problem, which is that there are far too many boats chasing too few fish in the Community's 200-mile fishing zone.

The Common Fisheries Policy, painstakingly negotiated over several years, was concluded in 1983 and is supposed to last for 20 years, with a mid-term review in 1992. It aims, first, to control production through the TACs, divided into quotas for member states. Second, the size of member states' fleets is supposed to have been reduced through what are called multi-annual guidance plans. These have provided aid to modernise the fleets on condition that member states reduce fishing capacity by a total of 3 per cent over five years.

The TACs, applied annually on the basis of scientific advice on the availability of fish, have worked relatively well. But the policy has failed to reduce fishing fleets. Instead, a combination of EC and national aid and cheap loans has increased both the size and the efficiency of the fleets – Britain's is 10-15 per cent larger than it should be. This has led directly to today's problems. Aided by modern technology, fishing has become much too intensive. Haddock and cod, for example, normally live 10 or more years but today all the older fish have been caught. Only the newest so-called "age class" of fish is available and, as it happens, natural breeding patterns have reduced this still further this year.

There are those who argue that the stocks, provided they are not over-fished this year, will naturally recover over the next two or three years, much as a depleted herring stock recovered in the 1970s. But that is too short-sighted a view. Much tougher action to control fleet sizes is essential if fish stocks are to be properly conserved.

The British fishermen's demands for compensation for lost income are understandable and there may be a case for aid if the men cannot find alternative fishing or other income as the season progresses. But compensation either for decommissioning boats or for laying them up, which fishermen's organisations are also seeking, should be paid only as part of a rigorously applied and realistically targeted scheme to reduce fleet sizes overall.

The European Commission's target of a 3 per cent reduction over five years is too small and needs to be increased. Meanwhile member states, which are responsible for deciding what methods to use to reach EC targets, must take fleet reduction much more seriously.

Mr John MacGregor, Britain's Minister of Agriculture and Fisheries, has spoken of the possible collapse of the North Sea haddock and cod stocks. Unless he and his fellow EC ministers are prepared to be tougher on fleet size, many more fish species could be at stake.

Simon Holberton on the consequences of the fall in UK official borrowing

Adjusting to life after debt

"I am sure I would be forgiven for . . . telling you a true story about a conversation that took place in a rather special room in No 10 Downing Street, when somebody promoted the notion that another 17 years of repayment of the national debt at [the current] *rate would totally eliminate the national debt. And the Prime Minister's eyes gleamed and she said: 'Only 17 years'."* – *Mr Cecil Parkinson, Energy Secretary.*

"It is desirable to give the corporate sector the opportunity to borrow at a significantly lower rate of interest than bank overdraft." – *Mr Nigel Lawson on the Government's repurchase of debt and the recent fall in long-term interest rates.*

IT WOULD not be surprising if over the past couple of weeks Mr Nigel Lawson, Britain's Chancellor of the Exchequer, had taken time to ponder the vicissitudes of public life. While his opponents within and outside the Government take pleasure in his present difficulties, the Chancellor could be forgiven for thinking that what he regards as one of his lasting achievements has received scant attention.

Mr Lawson may well have buried Britain's public sector borrowing requirement. The PSBR, that acronym so redolent of crisis and difficulty for many a Chancellor throughout the 1970s and 1980s, is no more. Britain now has a public sector debt repayment, a PSDR.

The UK is unique among the Group of Seven leading industrial nations in repaying its national debt. This has become possible because of the combination of tight control over public expenditure and a level of taxation that has not fallen, but actually increased, in terms of national income.

It means, among other things, that the UK now probably has a structural budget surplus, a tendency to raise more money through taxation and privatisation receipts than it spends on public works and services.

For the first time since the Second World War it has become possible to contemplate the repayment of the entire £197bn national debt. More realistically, the repayment of the national debt means the accelerated redemption of gilt-edged securities owned by investors. At the end of March these securities had a nominal value of £134.5bn and a market value of £143bn.

Mr John Shepperd, of Warburg Securities, has calculated that on the present structure of taxation and planned spending levels the UK economy needs to grow by only 1 per cent a year in real terms for the budget to be balanced. On that scenario the gilt market remains constant in cash terms but continues to decline in real terms; at economic growth above that level the national debt gets progressively repaid.

However, he says, at current, or near to current, levels of growth, and making some assumptions about the future growth of the tax base and Treasury projections for public spending, it is possible to produce figures which suggest that the stock of gilts in the hands of investors will be redeemed in its entirety by 1996 or 1997.

Mr Shepperd points out that these are large and not necessarily realistic assumptions. A straight-line projection of two divergent trends is not the best method of economic analysis, but the outlook it paints is suggestive of a trend, and a number of important issues are raised by the extent to which that trend continues over time. These are:

● The prospect now exists for industry and other long-term borrowers such as foreign companies and Governments to return to the long-term debt market in Britain. From being crowded out by Government borrowing over the 1970s and 1980s, industry is now being "crowded in", as long-term interest rates fall under the pressure of the Government's retreat from the gilt-edged securities market.

● For investment institutions – the life companies and pension funds – the expiration of a significant portion of the gilts market means that, if they wish to retain holdings of fixed interest debt, they will have to buy the corporate long-term debt that is beginning to be issued.

● There is a question mark over the future of the Government securities market in the UK and its 23 licensed operators which comprise its core and are responsible for making markets in the more than 100 gilt-edged securities on issue.

The current situation for the gilt market is pregnant with ironies. During most of the post-war period in Britain it paid for Government expenditures that were in excess of what the exchequer raised in taxation; now that the budget is in surplus and gilts are being redeemed, it is the implied savings from the lower burden of future interest payments which is funding half the 3¾ per cent annual growth in projected real public spending out to 1991-92.

Two years ago, with the Big Bang revolution in the City's ownership and structure, the cosy cartel that was the old gilt market gave way to the new larger, brasher, and multinational group consisting originally of 27 companies.

Overnight the capital committed to the market rose from around £80m to £600m. In all some 2,000 people were employed by the market makers, money brokers and inter-dealer brokers that constituted the new market. Today employment has fallen to around 1,500 and the capital dedicated to the market is around £530m.

By this summer the promise of Big Bang had evaporated. Turnover was low, volatility in price movements subdued and many were wondering: "Was it all worth it?" Citicorp decided the answer was "no." Morgan Grenfell came to the same conclusion last week.

There is a mood of great uncertainty in the gilts market, but, as Mr Gavyn Davies of Goldman Sachs rather brutally yet correctly says: "It is a tremendous overstatement of the importance of the gilts market to suggest that it matters if we have one or not. It exists to service the issuer and if the issuer does not want to issue then you have to do something different."

That "something different" is providing a service to companies which will want to borrow long-term funds and advice to investment institutions which may want to acquire it. For the most part this means the Eurosterling market, the fourth largest Eurobond market after the US dollar, yen and D-Mark zones.

The Eurosterling market has grown from £1.2bn at the end of 1982 to £26bn at the end of 1987. In the first 10 months of this year £11bn had been issued and it is likely that the market will stand at around £40bn by the end of the year.

It is in the growth of the Eurosterling market that the phenomenon of "crowding in" is seen – an increase in private long-term borrowing brought about by the absence of the Government. This development is unreservedly welcomed by the Bank of England and the Treasury.

As senior government officials point out, to the extent that companies in Britain borrow capital long-term instead of through the banking system, the process of crowding in produces a wholly virtuous circle.

The repurchase of the Government debt produces lower long-term interest rates; this encourages companies to borrow longer-term; and that acts to reduce bank lending and moderate the rate of increase of the broad monetary aggregates.

The expansion of the Eurosterling market has proceeded apace this year. There has been an increased proportion of UK issuers relative to foreign issuance in the first nine months of 1988 (domestic issues amounted to about £6.5bn and foreign issues £4bn) and a higher proportion of longer-dated issues relative to shorter issues.

There is clearly potential for Eurosterling issues to grow further, especially if the long-term investment institutions decide to rethink their attitude to fixed interest investments. In 1965, insurance companies held 15.3 per cent of their assets in debentures. By 1986 that proportion had fallen to 3.2 per cent. Pension funds held 15.7 per cent of their assets in debentures but by 1986 that proportion had fallen to 1.2 per cent.

If these institutions were to rebuild their holdings of fixed interest securities to their 1965 levels – something that might appeal to them in the changed market conditions – they would need to invest about £32bn.

This is a measure of the potential of the market and there should be little concern over the ability of gilts traders to adapt. In mechanical terms, there is no real difference in trading a Eurosterling bond and a gilt. The issue is about the quality of the market.

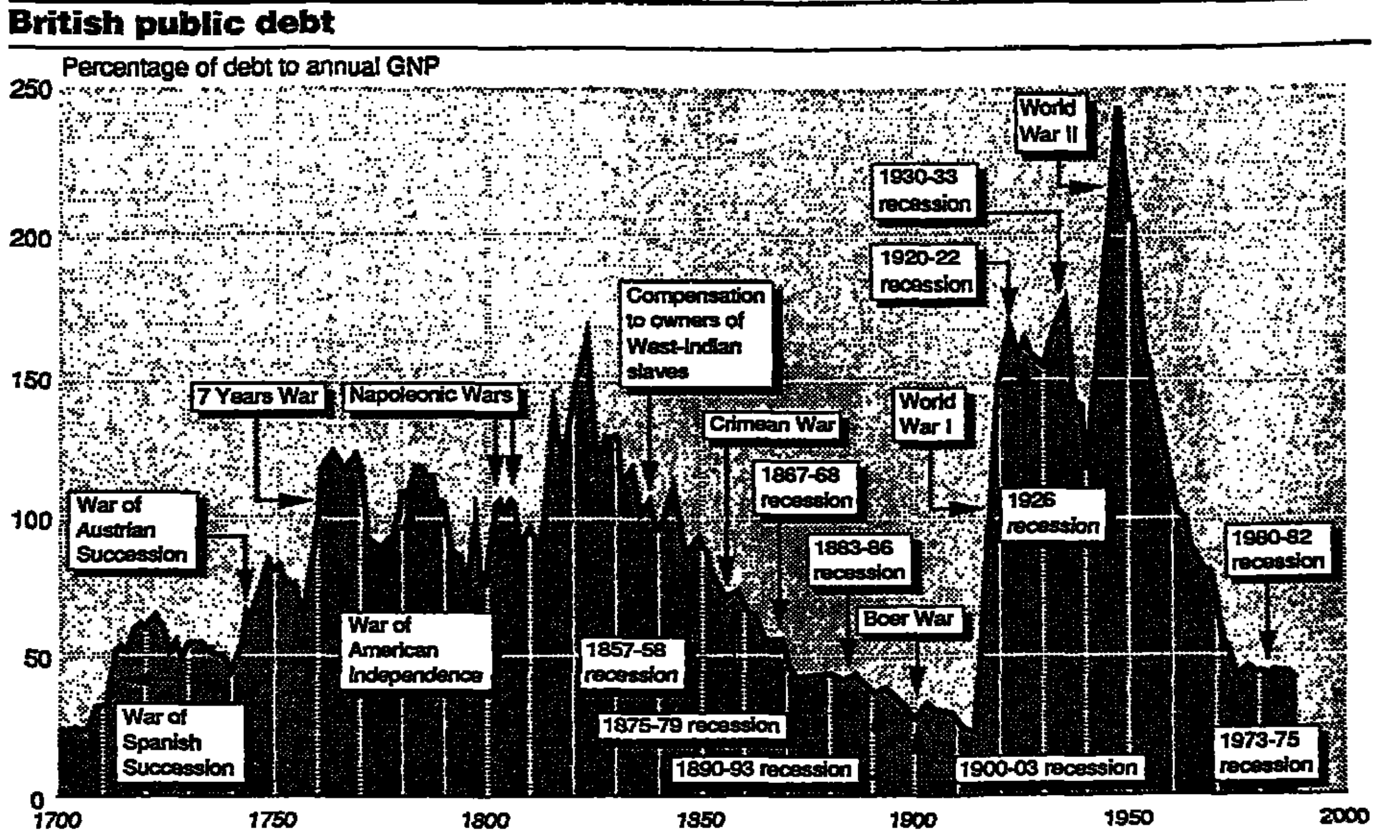
Eurosterling issues are tiny by comparison to the huge liquid issues of outstanding Government debt. For a Eurosterling issue, £300m is enormous and £150m or less the norm compared to gilts, where £1.5bn is the average and the most liquid run to £3bn.

It is not uncommon for 70 per cent of a £100m issue to be bought by a number of institutions and never see the light of trading again. As far as the market knows, however, it is trading what it believes to be a £100m market with deliverable stock amounting to only £30m.

The redemption of the Government debt does appear to hold out the promise of a revival in long-term corporate borrowing; however, it remains doubtful whether the growth of this market will prove to be the panacea the current 23 gilt-edged market makers are looking for. The Eurosterling market does not seem to offer the trading possibilities so many of the traditional UK houses are used to.

The challenge becomes one of taking innovative packages to companies and winning their business in issuing debt securities. The response to that will mark out who will survive and who will wither away with the national debt.

British public debt



Source: Robert J. Barro, Macroeconomics Second Edition, New York: Wiley, 1987, (up dated to 1988)

NATIONAL DEBT: Founded, in its modern form, with the creation of the Bank of England in 1694. Expanded to finance wars until the Second World War after which the finance of nationalisation and public spending spurred its growth. At March 31, 1988 the estimated nominal sterling value of the national debt was £197.3bn. The main classes of debt are: gilt-edged securities, £134.6bn; National Savings, £28.4bn; foreign currency debt £4.7bn.

GILT-EDGED SECURITIES: Government-guaranteed bonds issued for the Treasury by the Bank of England. Gilts are fixed rate bonds which pay interest half-yearly until redemption.

MARKET MAKER: A company approved by the Bank of England to make a market in the Government's debt. It undertakes to make prices in all gilts on issue, more than 100 separate stocks. These companies have privileged access to the Bank and are able to participate in the inter-dealing system to trade gilts between themselves.

DEBENTURE: A bond issued by a company that is secured by specified assets of the borrower, often entailing restrictive covenants on the amount of issuance.

EUROSTERLING: A bond denominated in sterling but issued "offshore" to circumvent the issuing rules of the Bank of England. Easier to float and carrying much less onerous provisions than debentures for companies.

BULLDOGS: A sterling bond issued in the UK by a foreign borrower, either governmental or corporate.

OBSERVER

Change in the cycle

■ With the withdrawal of Yury Lyubimov from the Covent Garden production-in-progress of Wagner's Ring, it seemed that the whole project might be in the process of collapsing in ruins, rather like the world itself at the close of the final opera. Already it is clear that the Rheingold shown last September will never be seen again.

To save the situation the Royal Opera have returned to Götz Friedrich, the man responsible for mounting their Wagner cycle of the 1970s – a cycle completed in 1976, and then shown for three seasons after that, to a mixture of acclaim and disapproval from public and press alike.

But it will not be those same productions of the operas that are planned to fill the holes in the timetable opened by Lyubimov's defection. Since leaving Covent Garden as Principal Producer (a post he held for five seasons), Friedrich has been the General Administrator of the Deutsche Oper in West Berlin, and has taken another, 1980s glimpse, at the Wagner tetralogy. He has set it in a long tunnel – "tunnel vision" has been the obvious crack on more than one occasion.

The Royal Opera are planning to mount a simplified version of this Berlin Ring. It needs to be simple, indeed portable, since there are already plans afoot to show the four operas in such untheatrical places as the Albert Hall while the theatre itself is closed for its renovations in the early 1990s.

Paul Findlay, Opera Director of the company, *thinks it likely* that the concentration-camp gas ovens seen in the Berlin original will be removed from the London version, as part of the simplifying process. He adds that since the impasse between Lyubimov and Bernard Haitink (Music Director of the house and Ring conductor) was reached, the return of Friedrich is a prospect awaited by all as much with excitement as relief.

Treasury model

■ This year's Treasury Christmas card is a tribute to William Ewart Gladstone, "four times Chancellor and the originator of the modern Treasury". The card's encomium goes on: "A passion for economy was matched by a drive to reduce taxes, that the nation's wealth might 'fructify in the pockets of the people' . . . He frequently reduced income tax but . . . shrank from abolishing it . . . His final resignation as Chancellor in 1882 coincided with his view that the spirit of retrenchment and economy had departed from the land."

It concludes: "In his youth 'the rising hope of these stern and unbending Tories', he ended his life as 'the prophet of the Liberal experiment'."

The man who this year became the longest serving Treasury Minister since Gladstone is the present Chancellor, Nigel Lawson.

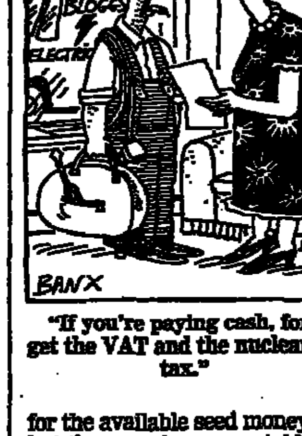
Eurocinema

■ Enter the European movie. The European Commission's Ecu2m SCRIPT fund was launched in Brussels yesterday by the British director, Sir Richard Attenborough.

The aim of SCRIPT is to back budding European script writers of film and television fiction (except cartoons) – a concept based on the idea that you can have all the technical production expertise in the world, but will get nowhere without saleable words. Projects already backed by producers or directors are eligible for the available seed money, but the organisers – notably the Italian Commissioner responsible for Communications and Culture, Carlo Ripa di Meana – are keen to find untried talent, not least lurking in the smaller countries of the EC or in the non-metropolitan areas of the bigger member states.

The maximum grant is Ecu40,000, and the funds will have to be repaid in the event that the script is turned into a production. The fund will be administered from the offices of the British Film Institute in London.

Attenborough hopes to devote as much time as he can to the project in the next few months before concentrating on a $75m contract with Universal for three new movies: on the lives of the Victorian explorer Sir Richard Burton, Thomas Paine of The Rights of Man and Sir Charles Chaplin.



"If you're paying cash, forget the VAT and the nuclear tax."

Real lectures

■ The 1988 Reith lectures end today on BBC Radio 4 with Professor Geoffrey Hosking coming to no firm conclusion about the future of the Soviet Union under Mikhail Gorbachev. Indeed perhaps no conclusion was possible since the outcome of the Gorbachev reforms is unknowable. Yet, taking the six lectures together, the layman could hardly have been offered a finer sweep of what is going on in Soviet society today. Workers, peasants and intellectuals are all there. The Reith lectures in future should stick to such practical subjects and not get lost in moral philosophy or similar abstractions.

Smart club

■ The clubhouse of the Institute of Directors is remarkably close to some of London's more traditional clubs. It is at 116 Pall Mall, while the Athenaeum is at 107, the Travellers' at 108 and the Reform at 104. Yet the atmosphere is so very different that they seem worlds apart. No bishops or retired diplomats sleeping in an armchair after lunch; more like a Trusthouse Forte hotel on a busy day.

Yesterday the IoD added a *brasserie to its attractions.* The food at the opening lunch was very good indeed. There must be some people, however, who would prefer a mixture of the IoD's efficiency and (say) the Travellers' old world charm. Do such places exist?

Hidden depth

■ From the Scotsman, commenting on the prospects facing Alex Miller, manager of Hibernian, after his team lost 4-1 to Dundee United in the Premier League on Saturday: "There were many good features about his side's performance, if you discount a toothless attack and a demoralised defence."

LETTERS

'Spectre of overkill' in the UK economy

From Mr Christopher Johnson.

Sir, Samuel Brittan (December 8) takes me to task for my "insidious propaganda in favour of sterling devaluation" in the December issue of the Lloyds Bank Economic Bulletin.

I argued that policy should aim to cut the balance of payments deficit by 1 per cent of gross domestic product (GDP) next year. It would clearly be best if this could be done with the minimum sacrifice of economic growth. So I advocated a cut in GDP growth to 2.5 per cent, and in domestic demand growth to 1.5 per cent.

This growth rate would probably require a rise in imports of 5 per cent so exports would have to rise by 8 per cent, if the balance of payments objective was to be achieved. Given that world markets for UK exports are unlikely to rise by more than 5 per cent, I argued that export growth of 8 per cent required some depreciation of the £ to restore lost competitiveness. (All figures are in real terms.)

Samuel Brittan appears to share the Government's view that priority should be given to reducing inflation rather than to shrinking the balance of payments deficit. He is therefore prepared to see the £ held at present levels.

This will give short-term help to the balance of payments by improving the terms of trade (the reverse J-curve effect), but after that it will reduce export volumes and increase import volumes, thus worsening the balance of payments.

Any effect on pay settlements through lower export profits will occur only with a time lag, and will be offset by an opposite effect through higher import profits.

Only if high interest rates and the high exchange rate cause a recession will they help the balance of payments as well as inflation, by cutting the demand for imports even at reduced prices, and forcing a shift into exports even at lower profit margins.

This is what happened in the early 1980s. It is doubtful whether British manufacturing industry could survive a second such shake-out in a decade. It is precisely because I am afraid of the "the spectre of overkill" that I disagree with Samuel Brittan.

I believe it would be sensible to give equal importance to inflation and to the balance of payments. A high exchange rate keeps import prices down, but for the same reason it stimulates domestic demand when the balance of payments requires it to be damped down.

A moderate depreciation of the £ will shift into the external balance some of the resources for which domestic demand will be reduced by high interest rates.

The foreign exchange markets are likely to try to bring this about whatever the Government says. If it resists sterling depreciation by means of even higher interest rates, it will only be storing pent-up inflation for the future. As happened in the US from 1985 onwards, an exchange rate that goes too far must come down again – and perhaps more sharply the longer one waits.

Has Samuel Brittan forgotten his advocacy of British membership of the European monetary system (EMS) exchange rate mechanism (ERM) at about DM3 to the pound?

Would it be such a disaster if we let the pound fall back to that rate, and then joined the ERM to keep it there? As you say in your leader (December 9): "The current exchange and interest rate differentials imply an exchange rate of DM3 a year from now, a level that the Chancellor will presumably welcome as an old friend." Why does Mr Brittan assume that I want sterling to depreciate faster or further?

Christopher Johnson,
Lloyds Bank,
71 Lombard Street, EC3

Samuel Brittan writes: If Mr Johnson had continued with my article, he would have read: "The implication of present market rates is that in a year or so sterling will be near to DM 3." I am delighted that he would be prepared to put a floor at that level.

Shipping is a foreign exchange earning industry

From Mr Ian Denholm.

Sir, The state of the UK balance of payments highlights the contribution of the shipping industry to the nation's foreign currency earnings.

Shipping is among the most efficient foreign exchange earning industries. Almost all others convert their earnings into foreign exchange only through a long chain of substitutions. Yet British shipping enjoys less Government support than any other important maritime nation – and our fleet has shrunk more than almost any other.

In 1987, British shipping contributed £1.3bn to the balance of payments – substantial, but less than it could have been. In 1980, in today's prices, the figure was nearly double from an industry twice the size. In 1987 the UK paid £1.6bn net in foreign exchange to foreign shipping companies to carry freight and passengers to the UK.

These figures show how a larger British fleet would have contributed to reducing the current balance of payments deficit. But to be able to do this it is vital that British shipping be given reasonable equality of treatment in fiscal policy with our foreign competitors, because modern ships are expensive, and other opportunities abound for the more profitable investment of our shareholders' money in shore-based activities.

The Government's willingness to allow industries such as shipping to run down because, in the first flush of North Sea oil, we did not need their foreign exchange earning power, has done much to create the present situation. The Treasury is now thrown back on interest rates.

It would have been better to have kept UK shipping up to strength. You cannot switch foreign exchange earning industries off and on as and when you need them.

Ian Denholm,
General Council of British Shipping,
30-32 St Mary Axe, EC3

NHS 'contract' management

From Mr Stephen Taylor.

Sir, Gordon Best ("Reform Starts With The Board Room," November 21) is certainly right in seeing the importance of reshaping the management board if the National Health Service (NHS) review is to be properly implemented.

But the private sector analogy goes only so far – first because the health service is highly sensitive politically (unlike, say, vehicle licensing); second, because service is free at the point of delivery (unlike, say, British Rail).

This makes it difficult for Government ministers to detach themselves from day-to-day operations (in every sense of that word) and to take signals from the marketplace about service priorities. No organisational re-jigging alone will get over this.

None the less, separating Government ministers and civil servants from the managers and clinicians will help a lot.

The agency concept, now beginning to be applied to Whitehall's operational activities, should be applied also to the NHS.

The NHS management board – with its own premises and its own shingle – should contract with the Department of Health to deliver a stated range, level and quality of health services at an agreed cost.

Ministers would be accountable to Parliament for specifying the right contract, and would appoint the members of the board. Ministers should give maximum management freedom (for example, over pay and grading). Then they would swallow hard, stand back and wait for the results to show.

Stephen Taylor,
Kinsley Lord Management Consultants,
34 Old Queen Street, SW1

Regulations cost too much

From Miss Jane Tait.

Sir, The Prime Minister and her Government are widely believed to be anti-bureaucracy, and have sought to reinforce this image by a recent paper on de-regulation.

The reality is different. The Government has spun a web of costly controls which threatens (more than is realised) the survival of those it nannies, and reduces the income of those it seeks to protect.

For example, Fimbra (Financial Intermediaries, Managers and Brokers Regulatory Association) fees are going up by 33 per cent in April (in defiance of the Government's anti-inflation policy). There will still be a capital shortage of about £2m. Touche Ross, consultants, suggest that the tax payer should pay. No one considers the alternative of cutting the costs dramatically.

Lloyd's of London profitability has declined to a point where the average return (after outgoings) for all members has averaged below 4 per cent over the last five years. Meanwhile Lloyd's supervisory costs have risen much faster than inflation.

Despite the SIB's (Securities and Investment Board) apparent reforms, there is worse to come. "Hard" disclosure will bankrupt so many independent advisers that Fimbra fees will rise again for those remaining.

Woolly-thinking MPs confuse preventing fraud with the need for investors to have masses of information and for advisers required by statute to give "best advice". No one knows what "best advice" is: pushed to their logical conclusion, the "best advice" provisions would cause advisers to shun nearly half of all our financial institutions because their performance has been worse than average. Similarly, "hard" disclosure applied, as it logically should be, to shopkeepers, would bring down much of the retail industry.

No new regulation should be introduced unless there is strong evidence that it is needed, and that it will produce results commensurate with the costs.

Jane Tait,
Director, First Time Home Buyers' Advisory Service,
18 Seymour Place, W1

Quality at risk

From Mr Brian Marsh.

Sir, You warned in 1986 that technical developments would require aerials, both for satellite and terrestrial broadcast reception, to be of high quality design, construction and installation.

John Chittock (FT, July 8 1986) referred to the Independent Broadcasting Authority's "excellent engineering services", its "range of literature", and (importantly) the IBA's "transmitters or relay stations to ensure good signal reception". All those services are now at risk.

If the proposals in the Government's white paper on broadcasting are put into effect the IBA will cease to exist. Some of its functions will be undertaken by the new Independent Television Commission. The IBA's transmission system will be split up into regions and sold off. The BBC's transmitters will be detached from the BBC and treated similarly.

The IBA and the BBC between them have 4,000 or so transmitters throughout the UK, reliably transmitting high quality signals to homes. Those signals reach 99.4 per cent of the population; the IBA's transmitters have 99.8 per cent reliability.

To fragment and privatise the system will mean that outside the large centres of population viewers and listeners will not get as good a service.

The white paper on broadcasting in the 1990s is titled "Competition, Choice and Quality": the Government, with its contradictory attitude to culture, broadcasting and public service, sees the priorities in that order. Quality – which includes engineering quality – comes last.

Brian Marsh,
Broadcasting and Entertainment Trades Alliance (AETA),
181-185 Wardour Street, W1

Shareholders stranded

From Mr Edward Nassar.

Sir, It is a shame for a company which has made a net profit of Fl 940m and has a cash hoard of Fl 900m to have left the shareholders of its subsidiary British Enkalon stranded without any payment for their shares.

I am referring to Akzo NV of Holland, which closed down its operations in the UK but transferred the business to other companies of its group.

Edward Nassar,
PO Box 94,
1000 Lausanne 21,
Switzerland.

Scots law set the theme

From Mr D.E.L. Johnston.

Sir, A.H. Hermann (December 1) dealt with a recent case, *Smith v Littlewoods Organisation Ltd (1987) A.C. 241*, and elaborated on an intriguing general theme: the mediation of principles of civil-law systems into the common law.

It is therefore surprising that he did not point out that this case was a Scottish case; and that Scots law has long been regarded as a system illustrative of his general theme.

D.E.L. Johnston,
Christ's College,
Cambridge.

Coherence needed in training UK managers

From Mr J.W. Eversley.

Sir, Michael Skapinker (November 21) raises once again the question why British managers, unlike their German, French, American and Japanese counterparts, are badly trained – and what can be done about it.

One suggested solution is to make management a profession for which managers can only qualify after formal training. But professional institutes – personnel managers, chartered secretaries purchasing officers and so on – say "No, that might give the Institute of Management an advantage over us – and the institute is already bigger than all of us put together."

Three crucial points are forgotten by critics of the Charter initiative and Mr Skapinker:

● Most managers come into management via the graduate entry, training-on-the-job and generalist route, rather than as personnel managers, purchasing officers or chartered secretaries, so they will not think it relevant to join a specialist institute to undertake their management training.

● In the UK, graduates in almost all disciplines except business studies receive no worthwhile management training as part of their higher education courses, so they need to see a clear career path with well-defined "training milestones" once they start on their jobs. The present schemes for off-the-job management training are diffuse, difficult to access and often irrelevant.

● We still produce only 1,200 MBAs in the UK each year, yet we employ well over 50,000 new managers or management trainees. Very few companies make any attempt to train their young employees as managers on a formal, planned basis.

Hence – unless we very rapidly put together an easily accessible, generally accepted structure which will be used by employers and aspiring managers alike – our professional managers will continue to be "professional" in name and in their own eyes only, while the rest of the industrial world keeps ahead.

If the industrial shake-out which has racked British industry in the last nine years has made us leaner, fitter and better able to compete – as well as costing thousands of managers (good, bad and indifferent) their jobs – we need to make very certain that those who are now managing our undertakings are able to compete in international markets on all counts, including professional competence.

The Charter initiative provides an opportunity, if it is widely supported, to train managers to acquire such competence.

J.W. Eversley,
Chairman, British Institute of Management/ Northumbria Branch,
92 Elmfield Road,
Gosforth,
Newcastle upon Tyne.

From Mr T.J. Evans.

Sir, Michael Skapinker's note on professional qualifications in management (November 21) reports the concerns of a group of professional bodies involved in management training. These concerns are a response to the attempt by the British Institute of Management (BIM) to take the high ground – in the current debate on management training – through its pursuit of chartered status and, specifically, adoption of the "chartered manager" title.

While there is substantial agreement that the general standards of management education and training in the UK need to be improved, the presumption that the BIM should be the lead vehicle for new initiatives, and that the right way forward is through the adoption of a new chartered manager title, has gained less ready acceptance.

The BIM seems to be seeking enhanced status – to be bestowed without having earned it properly through a record of achievement. Unless the chartered manager qualification is of unimpeachably high standard, there is the risk that it will devalue other existing chartered titles: for example, those used by engineers, surveyors, architects, accountants and others, which are both in extensive use in the UK and are internationally respected.

I suspect that several institutions in the engineering community, which have in their memberships large professional cadres of functional and general managers, would share the view that the planned large single bureaucratic institution is not the right structure, and will not provide the flexible kind of model needed to achieve higher managerial professionalism.

T.J. Evans,
The Institution of Chemical Engineers,
Geo. E. Davis Building,
165-171 Railway Terrace,
Rugby, Warwickshire.

FOREIGN AFFAIRS

The perilous decline of a superpower

Edward Mortimer argues that the West should be ready to help Mr Gorbachev's reforms succeed

Mikhail Gorbachev bestrides the world, to coin a phrase, like a Colossus.

That is an indisputable fact but a paradoxical one, at odds with many of our generally accepted opinions about the international system and the Soviet Union's place in it. Do we not live in a world of superpower decline, which can no longer be marshalled into two more or less compliant blocs under US and Soviet leadership? And of the two superpowers, is not the Soviet Union the one where decline is more conspicuous, catastrophic and agreed upon by pundits of every stripe? Is not that very fact the explicit starting-point of all the changes Mr Gorbachev is striving to bring about, both in the domestic organisation of his country and in its foreign policy? Do not most of those changes amount, indeed, to a scaling down of the pretensions of the Soviet state and its ruling party?

As Mr Geoffrey Hosking says in the last of his excellent Reith Lectures on the Soviet Union, to be broadcast tonight on BBC Radio 4 and on the World Service on Friday: "The ultimate implication of what Gorbachev is saying is that, to ensure its own power, the party must renounce its political monopoly. No paradox could be more fundamental."

And is not the world-wide acclamation of Mr Gorbachev's speech last week in glaring contrast with his position at home, where his reforms seem to have given rise to political turmoil while leaving the mass of the population deeply cynical, when not outspokenly resentful? In short, does Mr Gorbachev really merit the amount of attention we are giving him?

I think he does, because the process he is engaged in implies great changes for the rest of the world as well as for the Soviet Union, even if many of them can be summed up by saying that at the end of the process what he or his successors do will matter much less than it did at the beginning.

A negative change may be no less important than a positive one, and a state which trims its ambitions to match its resources may have a better chance of realising the more limited ambitions it retains. (Some would point to Mrs Thatcher as an example of this, and it seems that Mr Gorbachev himself would not demur.) Even if the end result is broadly predictable, the manner of the change may still make an important difference.

It seems to me very unlikely that whatever Mr Gorbachev does will reverse the relative decline of the Soviet Union as a world power. But he might succeed in reversing the absolute decline in the Soviet population's living-standards. He might perhaps avert a territorial fragmentation of the country. He might bring off the paradox of preserving the "leading role of the Party" by defining its task more narrowly and democratising its internal structure. Already he has increased the Soviet Union's prestige, and perhaps its influence, by giving its domestic politics a more attractive image and its foreign and defence policies a less threatening one. If he were to succeed in the other respects mentioned, that effect too would presumably be continued.

The outcome is certain to be a Soviet Union with less effective control over its neighbours

Alternatively it may turn out that he has simply accelerated decline. That, broadly, has been the effect in Poland, Hungary and Yugoslavia of similar attempts to release market forces within an ultimately state-controlled economy. In China the results have been more encouraging, but many people would see Russia as the least promising of all terrains for such experiments.

"The Party-state apparatus," says Mr Hosking, "still has a stifling hold on the economy, and many ordinary people are apprehensive about seeing it relaxed, for fear of the free-for-all which might follow." He says one of the most potent legacies of the Russian village community spirit "is resentment of individuals who go it alone, who better themselves, even if it's not at the expense of everyone else."

Much the same point was made by a leading American political scientist, Mr Vojtech Mastny, at a conference on East-West relations at the Royal Irish Academy in Dublin last Friday. He said that the greatest danger to Mr Gorbachev was neither organised opposition (of which there is as yet no sign) nor the much-touted obstruction of the bureaucracy. It is the lack of enthusiasm of the population: no "groundswell of support and readiness for sacrifice" such as a successful perestroika would require; instead, the "instant hostility expressed by society as a whole – not just bureaucrats but fellow citizens – towards the achievement of individuals who try to test the limits."

"This sullen egalitarianism," Mr Hosking says, "is especially common in Russia, as distinct from the other nations." Here, too, Mr Mastny concurs. It is in the Baltic republics, he says (and he might perhaps have added Georgia and Armenia), that perestroika holds the greatest promise of success; and that in his view explains Mr Gorbachev's lenient treatment, so far, of the centrifugal tendencies in those republics.

Hence the attempt to transform the state from a fake federation, which everyone knows is really a Russian communist empire, into a genuine federation freely consented by all the peoples involved. Mr Gorbachev is certainly not the first leader of a declining empire to dream of such a transformation, but none that I can think of has brought it off. And if Russians cannot tolerate the individual achievements of fellow Russians they will surely find quite intolerable the sight of non-Russian republics achieving greater freedom and prosperity than they can manage themselves.

It seems all but inevitable that many Russians will come to believe, if they don't already, that Mr Gorbachev's policies are promoting, not preventing, a break-up of the Soviet Union; and that sooner or later force will be used to contain those centrifugal tendencies. When that happens, either it will work – and the Soviet Union's new international prestige and much if not all of its newfound domestic freedom will be sacrificed, together with perestroika's best chance of economic success; or it will not work, in which case the attempt will be enough to provoke the centrifugal forces into going beyond mere federalism into outright separatism, and the Soviet Union will indeed break up.

Much the same applies beyond the Soviet Union's borders. It could be that by publicly eschewing military control of east-central Europe, Mr Gorbachev will bring about the emergence of regimes which enjoy genuine popular support while maintaining close and friendly ties with Moscow. But it seems at least equally likely that he will merely encourage popular revolts against the regimes now in power, producing clashes between communist repression and vocally anti-communist public sentiment. This in turn will provoke intense pressure for renewed military intervention within the Soviet establishment, and result in a loss of international prestige and influence for Moscow whichever choice it finally makes.

Either way the outcome is virtually certain to be a less powerful Soviet Union, meaning one with less effective control over its neighbours and posing less of a challenge to Western defence, than the one we have known these last 40 years. Yet it surely makes a great difference to the rest of the world which form this decline takes. A Soviet Union in which Mr Gorbachev broadly "succeeds", which more or less gracefully accepts the decline of its raw power in return for a place of honour in a world managed through multilateral institutions, must be preferable to a wounded bear tearing at its own flesh and lashing out at real or imaginary tormentors. Exactly how we can "help" Mr Gorbachev remains moot. What is surely now indisputable is that if we can, we should.

FINANCIAL TIMES
Tuesday December 13 1988

Burma's reformers fumble in the gloom

Darkness has again descended on national politics, reports Roger Matthews

THE Burmese Government is viewed by some Western diplomats serving in Rangoon as rather like a nocturnal animal. "It really only operates in total darkness," said one recently, "because that is how it has been since its birth 26 years ago and that is all it really knows."

When the nation's citizens switched on a low wattage bulb labelled democracy in March, the beast blinked hesitantly. It appeared momentarily blinded when in August and September the populace generated such power that the army was forced off the streets in the glare of international publicity.

But on September 19 the military returned and shot out the lights along with thousands of demonstrators.

Peering today into the Burmese gloom it is still difficult to conclude whether the half-light is dusk or dawn. The mood of national euphoria has waned as it became clear that General Ne Win and his office-holding surrogates are not about to relinquish power.

The economy is still bumping along the bottom with acute shortages of basic commodities and fears of worsening food supply problems.

Human rights abuses abound, with the regime admitting that it has randomly picked up young men from the streets to act as porters for the military in their jungle conflicts with ethnic insurgents. Student activists who fled Rangoon in fear of execution or imprisonment are suffering extreme hardships on the border with Thailand.

However, Burma now has enough political parties to create a couple of dozen democracies. There were more than 140 of them by last week, all properly registered and their existence lending a modicum of credibility to the regime's pledge that it would eventually hold parliamentary elections.

Even if the majority of the parties have been established primarily to get the official allocation of two much-prized telephone lines and a modest supply of petrol, the few that matter are at work organising branches and signing up members.

On the face of it the economy is also about to be transformed. After 26 years of self-imposed isolation from the world economic system, the minister responsible for trade last week boasted that Burma had introduced the best law in the world for foreign investors.

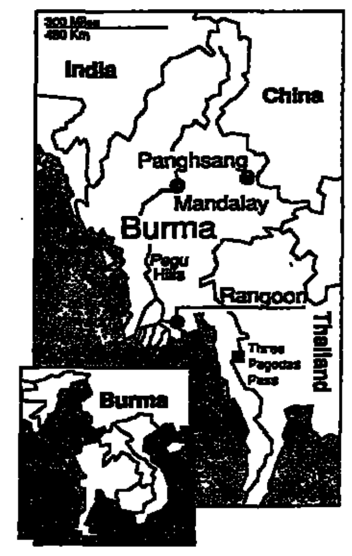
It had all the ingredients: tax holidays, accelerated depreciation allowances, the right to set up wholly foreign-owned enterprises, duty-free import of capital equipment and the repatriation of profits.

The law is so generous and in such blinding contrast to the regime's historical aversion to market economics that the more cynical in Rangoon suspected that it may be related to the conditions attached to a resumption of aid to Burma by the industrialised nations, primarily Japan.

Tokyo has, under pressure from some of its allies, suspended further aid following September's bloodletting until Burma has a government which reflects the wishes of the public and until the country has implemented significant economic reforms.

As Burma's largest aid donor – accounting for about $250m a year – Japan's attitude is critically important. Other industrialised nations have adopted a similar semi-official economic and political boycott of the regime.

Asian nations tend to be particularly uncomfortable about



such restraints of trade. They fear, often correctly, that their abstinence is someone else's indulgence.

Suspicious glances are being cast at China, probably Burma's largest (unofficial) trading partner, Thailand, where a fortnight ago the deputy foreign minister only called off at the last minute an official visit to Rangoon, and smaller opportunistic players like Singapore.

While no-one seriously expects foreign companies to test Burma's new foreign investment law in the near future, the regime's desperate need for hard currency could open the way for lucrative deals on forestry, fishing, some agricultural commodities and gems.

At the end of September the best estimates in Rangoon were that little more than $20m remained in the state's coffers. Efforts by the regime to sell the Burmese embassy in Tokyo for 20 times that figure appear to have foundered, but it may have other similar such schemes up its sleeve.

While its first priority has been to replenish ammunition stocks, there is an ever more critical need for spare parts and equipment to replace the heavy damage done to industrial installations by the popular insurrection.

Aid donors are also being forced, uncomfortably, to sit by while their half-completed projects deteriorate through neglect.

There is also a very understandable desire among the countries of South East Asia not to have thrust upon them yet another serious refugee problem.

Thailand has already experienced the first arrivals of Burmese refugees and responded generously. But it would almost certainly prefer a stable regime of whatever hue in Rangoon to a further deterioration in law and order which might threaten ultimately to develop into a civil war.

This, too, is a huge restraint on the Burmese opposition which despite massive public support is forced to play by the restrictive rules of a regime whose primary interest is remaining in power.

In addition the most potent opposition force, the National League for Democracy, demonstrated its own internal problems earlier this month when Brigadier Aung Gyi, the party's chairman, resigned after the Central Council rejected by a large majority his accusation that eight supporters of Aung San Suu Kyi, the Secretary General, were communists acting against the interests of the party.

"It was a triumph for democractic principles," said Aung San Suu Kyi in a telephone interview from Rangoon. "For the first time in 26 years an issue has been resolved democratically. We want a new system in Burma, not a return to the old one where what Mr Big said was law. The issue had nothing to do with communism and anti-communism, and everything to do with how the party was run. It has been resolved, purely and democratically, and the party will be stronger and more united because of it."

The other and even more fundamental issue is whether the National League for Democracy and the other parties will ever be given a fair chance of winning votes. Preparations for an election under the Election Commission are still going ahead ("discovering how ballot boxes are made," according to a Western diplomat) but few Burmese expect any substantive action much before next spring.

Even then the exercise is likely to be undertaken only if the regime thinks that its own National Unity Party and its satellites can be safely proclaimed victors.

However, the waiting is dangerous. One incident, perhaps quite small, could all too easily provoke another popular uprising. Next time, it might from the outset be less peaceful and well-intentioned, particularly if fuelled by worsening economic misery. The regime also would begin another round of physical repression from an even lower threshold of tolerance.

● *A fund has been established in Thailand to provide relief for Burmese students seeking refuge there. Any surplus may be used to create educational scholarships. Contributions, in US $, should be sent by telex transfer or bank draft to: Burma Students Fund, Account No. 001-000918-080, Hong Kong Bank, 64 Silom Road, Bangkok, Thailand.*

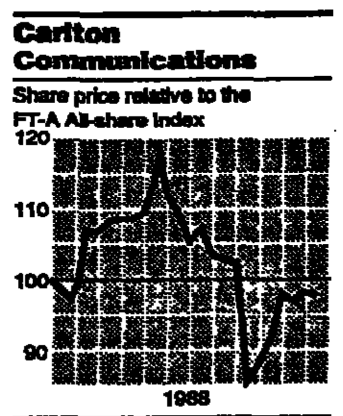
THE LEX COLUMN

A little more dough for the Doughboy

It was scarcely suprising that the London market should have taken badly to Grand-Met's increased offer for Pillsbury yesterday. Since Grand-Met is conditional owner of 87 per cent of the equity already, subject only to the consent of the Pillsbury board, upping the offer from $60 to $63 in the absence of consent is bound to look profligate. But there is an advanced game of poker going on here, in which Pillsbury has for the first time been induced not only to talk to the enemy, but to put a price on its own head of $68 a share.

In the course of weekend haggling the gap was apparently narrower again, with GrandMet offering $65 and Pillsbury willing to consider $66. GrandMet's aim plainly is that the Delaware judge should be persuaded not to rule positively for or against Pillsbury's poison pill, but to bang heads together in the interests of a settlement. Although the US arbitrageurs are plainly impressed by Pillsbury's stubbornness, the price yesterday – up $4 at $62¼ – was groping towards the arithmeticcompromise of $65½.

Whether GrandMet is wise to pay so much is another matter, particularly since the original $60 offer was enough to silence the competition. It looks as if there must be some dilution at this level, even compared with earnings as they would have been had InterContinental not been sold. But then, Grand-Met's own price has arguably taken care of that, with the prospective multiple at 438p in line with the market average. And in the light of the Kraft and RJR Nabisco deals, the strategy at least looks more fashionable than it did at the outset.



Carlton

The viewing public may be getting bored with Britain's broadcasters endlessly contemplating their destiny over the nation's airwaves, but it is all good stuff for Carlton Communications. Carlton was long ago elected the company most likely to succeed in a deregulated broadcasting environment. And with broadcasting in the spotlight, Carlton's attractions are getting an ample share of the illumination.

At a time when the Government favours independent programme makers, Carlton is one such; and it is difficult to dispute Carlton's logic that more channels, more broadcasting hours, more programmes and more advertisements will mean higher profits. If demand persists for high cost and high quality programming, Carlton can provide; and if cheap and vulgar is what the people want, Carlton can manage that too. Indeed, when it comes to frugality, Carlton probably has the edge: its special effects can create a Bermudan sun without all the bother of lying out on the beach. And all that, coupled with startling growth in video duplication in the US, should keep earnings growth above 30 per cent this year and 25 per cent next.

But Carlton's prospective rating of 12 times earnings, a 20 per cent premium to the market, assumes long term success as well. Further out, Carlton may end up a broadcaster in its own right: and broadcasting and production could well turn out to be less profitable than the facilities businesses which have made Carlton so much money in the past.

Ladbroke/Thomson

It is a piece of deft opportunism on Ladbroke's part to spot the moment at which Vernon's Pools can be winkled out of hiding. Thomson T-Line has evidently run into trouble with the institutions over its plan to absorb Suter, and its joint chairmen seem prepared to consider cashing in their holdings after their remarkable run. Ladbroke aims to recoup more than £75m of the £165m offer price by selling off all of Thomson except Vernon's, its printing works and a couple of properties, and there can surely be little difficulty in persuading Thomson's shareholders to vote down the Suter deal on December 21. It seems that Ladbroke's new status as upmarket hotelier has not seduced it away from its betting roots; the only question is whether, now that over 20 per cent of the UK pools market has been put on the block, others might want to join the auction.

Markets

There is a certain sense of relief that the November UK retail sales figures showed an actual decline, but given the erratic nature of past numbers it would be dangerous to read too much significance into them. They will do little to assuage the market's current concerns about inflation and higher interest rates. Thursday's UK average earnings figures will give a far better clue to whether the market is really right to be worried that this year's demand-pull inflation will be replaced by cost-push inflation next year.

Given that 13 per cent base rates only took effect a fortnight ago and that the impact of higher mortgage rates still has to feed through fully, the latest figures are of no help in assessing whether the Government has embarked on a policy of monetary overkill, or just how damaging this would be to corporate profits in 1989. The worry for equities must be that the Government will resort yet again to the interest rate weapon in its fight against inflation, and while there is no immediate pressure for another increase, the upward movement in US and West German interest rates cannot be comforting.

Pentland/Parker

The saga of Parker Pen and its institutional shareholders is worthy of a business school case study of how not to conduct a management buy-out. Having failed twice to float the company on the stock market, Parker agreed a friendly takeover at a very attractive price with Pentland Industries, only to have it collapse because Parker's institutional backers apparently did not like the look of the fine print. Parker's management has wasted the last year trying to sell the company rather than running the business and, despite yesterday's upbeat statement, the presence of a group of restless and greedy institutional shareholders with widely differing objectives cannot be good for management morale. The message for management contemplating similar manoeuvres is that it is vital that everyone can see the same exit before they start.

Swiss minister quits over inquiry tip-off

By John Wicks in Zurich

THE SWISS Justice Minister, Dr Elisabeth Kopp, announced her resignation yesterday after admitting she had warned her husband that a company of which he was vice-chairman might be investigated for possible laundering of drug money.

Mrs Kopp was the country's first woman minister, she had been re-elected to the governing federal council only last Wednesday as its vice-president and would have been president of Switzerland, under the rotation system, in 1990.

Her resignation will not take effect until February.

Mrs Kopp, while denying any "moral or legal guilt," acknowledged on Friday that she had warned her husband, Dr Hans Kopp, of reports that the Zurich company Shakarchi Trading was suspected of involvement in money-laundering. He resigned as vice-chairman of that company's board on October 27.

Criticism was levelled at the fact that it was only after parliament voted on her re-election to the federal council that Mrs Kopp admitted warning her husband.

Mrs Kopp, who had been one of the most popular ministers in Switzerland in her four years of office, said she had advised her husband to withdraw from the board on being told "unofficially" by her personal assistant of rumours about Shakarchi.

No official report reached the federal council from the public prosecutor's office until November 8.

The Social Democratic party indicated this weekend that unless she resigned, it would raise the possibility of lifting parliamentary immunity from Mrs Kopp, a member of the right-of-centre Radical Democrat party.

The public prosecutor's office in Bellinzona, in the southern Swiss canton of Ticino, named Shakarchi on November 8 as being under investigation following the uncovering of the so-called "Lebanese connection."

This is believed to have involved the laundering of SFr1.5bn-SFr2bn ($1bn-$1.37bn) of drug money in Switzerland and came to light after the confiscation of 100k of heroin and morphine in Bellinzona in February 1987 and the subsequent arrest of nine people.

However, no charges have been preferred against Shakarchi Trading, an established gold and foreign-currency trader, and company chairman Mr Mohammed Shakarchi told the Financial Times that allegations involving his firm were "all lies." He said he had threatened a libel suit against a Zurich newspaper.

The Swiss banking commission is investigating the circumstances surrounding the "Lebanese connection," following a call from the commission's chairman, Dr Hermann Bodenmann, for the rapid implementation of a law explicitly forbidding money-laundering activities.

All three of Switzerland's big banks have carried out internal investigations and supplied details to the authorities in respect of accounts opened by implicated Lebanese.

El-Sayed faces Fermenta charges

By Robert Taylor in Stockholm

MR Refaat El-Sayed, once hailed as one of Sweden's most successful entrepreneurs, was charged in Stockholm yesterday on 14 counts of falsifying accounts, fraud and insider dealing in the shares of Fermenta, the company he turned into one of Europe's leading biotechnology and pharmaceutical companies.

After the High Court hearing one of Mr El-Sayed's lawyers denied his client had committed any crimes.

If convicted Mr El-Sayed could face jail sentences of between four and eight years.

Until just over two years ago Mr El-Sayed was regarded as the richest man in Sweden, thanks to a brilliant career as chief executive of Fermenta.

But in December 1986 the company's auditors found that Fermenta's profits had been greatly exaggerated.

They also discovered other other book-keeping irregularities.

In September last year Mr El-Sayed was declared bankrupt with personal debts totalling £33m ($61m).

Fermenta itself has staged a recovery, with a trading profit of SKr102m ($17m) for the first eight months of this year.

The charges, laid by Mr Hans Lindberg, Sweden's chief prosecutor, follow a two-year investigation of Mr El-Sayed's activities.

His findings, which total 7,000 pages, accuse Mr El-Sayed of giving false and misleading information in Fermenta's annual accounts for 1984 and 1985.

As a result, the prosecution alleges that Fermenta's financial results were made to look better than they were by as much as SKr300m.

Mr El-Sayed is accused of falsifying the annual accounts by using sales agreements via an Italian subsidiary, Pierrel, or via companies in Switzerland or Mexico which did not exist.

Mr Gaston Portefaix, the company's former finance chief, has also been indicted on suspicion of being implicated in five of the incidents that involve Mr El-Sayed.

"I am happy that the indictment has come so I can get the opportunity to prove my innocence," Mr Portefaix said yesterday, though he refused to comment on any of the specific charges made against him.

The trial of the two men is expected to begin towards the end of February or early March and to last three months.

Meanwhile, inquiries are expected to continue in the US.

GM launches paperless trading network

By Terry Dodsworth, Industrial Editor, in London

GENERAL MOTORS of the US is launching a pan-European paperless trading network that will link 2,000 of its largest vehicle component suppliers in the biggest electronic trading system of its kind in Western Europe.

The network, designed by EDS, GM's data processing subsidiary, will be introduced over the next 18 months, and is expected to double paperless trading activity in the region. It will also establish the first large-scale pan-European network in which companies will be able to exchange documents irrespective of the country in which they are based.

According to Mr John Wishney, chief executive of EDS's Communications Business Development division in Europe, there will be no compulsion on suppliers to join the system. But the implication of the launch is that companies will be forced to conform if they want to maintain their competitive position.

Paperless trading, known as electronic data interchange, is designed to allow companies to conclude transactions on a computer-to-computer basis.

Documents such as orders and invoices are transferred between suppliers and their customers according to standard formats so that they can be integrated straight into the computer systems of each organisation. Proponents claim this reduces mistakes in the ordering process, while speeding up transactions, reducing the level of stocks held and generating substantial cost savings. EDS said yesterday that GM expected the system to pay for itself within a year.

Up to now, the main development of paperless trading on a Europe-wide basis has been in the chemicals industry, where companies located in all the main markets have started exchanging electronic transaction documents.

GM's system, however, is likely to a greater pace-setter because of the large number of suppliers it uses and its individual weight in the market as the largest motor company in the world with one of the most widely spread manufacturing bases in Europe. The company has substantial production facilities in West Germany, Spain and the UK.

Second Armenia crash

Continued from Page 1

cations, electricity or heavy cranes. The streets are blocked by vehicles and people."

Reuter reports from New York: Mr Yuri Dubinin, the Soviet Ambassador to the United Nations, said yesterday that he was deeply moved by the US response to the earthquake in Armenia and that the aid reflected an overall improvement in superpower relations.

The US has collected about $3.5m for victims of the earthquake and sent three aircraft carrying search teams and supplies, Mr Jack Matlock, US Ambassador to Moscow said on US television.

Mr Matlock also said that there was "no systemic problem" with the Soviet effort.

Struggling to cope, Page 2

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	14	57	Dubrovnik	S	14	57	Malta	S	16	61	Rhodes	F	14	57
Algiers	C	15	59	Edinburgh	S	09	48	Manchester	F	09	48	Rio de J'o	C	31	88
Amsterdam	C	09	48	Faro	S	18	64	Manila	C	29	84	Rome	F	14	57
Athens	F	12	54	Florence	F	09	48	Melbourne	C	17	63	Salzburg	R	05	41
Bahrain	S	25	77	Frankfurt	C	10	50	Mexico City	F	23	73	San Francisco	F	20	68
Bangkok	F	28	82	Funchal	C	17	63	Miami	C	25	78	Seoul	F	11	52
Barcelona	F	12	54	Geneva	C	06	43	Milan	F	05	41	Singapore	C	30	86
Beirut	R	18	64	Gibraltar	S	17	63	Montreal	C	-17	01	Stockholm	F	-3	26
Belfast	F	09	48	Glasgow	F	10	50	Moscow	C	-6	21	Strasbourg	F	08	46
Belgrade	F	10	50	Guernsey	S	11	52	Munich	R	03	31	Sydney	F	20	68
Berlin	R	06	43	Helsinki	F	-12	10	Nairobi	C	23	73	Taipei	F	22	72
Biarritz	C	11	52	H. Kong	F	19	66	Naples	S	14	57	Tangier	S	18	64
Bombay	F	32	90	Innsbruck	R	03	37	Nassau	C	28	82	Tel Aviv	C	20	68
Bordeaux	C	11	52	Inverness	F	09	48	New Delhi	F	23	73	Tenerife	F	19	66
Brussels	F	05	45	Islamabad	F	23	73	New York	C	-4	28	Tokyo	F	14	57
Budapest	R	08	46	Istanbul	F	10	50	Nice	F	15	59	Toronto	C	-13	07
B. Aires	R	29	84	Jakarta	C	33	92	Nicosia	F	18	64	Tunis	F	17	63
Cairo	S	19	66	Jersey	C	11	52	Oporto	S	13	55	Valencia	S	14	57
Cape Town	S	22	72	Jo'burg	C	23	73	Oslo	F	00	32	Venice	F	04	39
Caracas	R	23	73	Lima	F	25	77	Paris	F	08	47	Vienna	R	07	45
Casablanca	F	17	63	Lisbon	F	13	55	Peking	F	10	50	Warsaw	C	05	41
Chicago	S	-11	12	London	F	11	52	Prague	F	05	41	Washington	S	-10	14
Cologne	C	05	40	Los Angeles	F	25	77	Reykjavik	R	05	41	Zurich	R	03	37
Copenhagen	C	03	37	Luxembourg	F	06	43								
Corfu	F	15	59	Madrid	S	09	48								
Dallas	C	04	39	Majorca	F	16	61								
Dublin	C	07	45	Malaga	S	17	63								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Koshin wins Tokyo group

Continued from Page 1

ing nothing to its future or the well-being of its employees.

The downfall of Kokusai Kogyo began in mid-1987 when Koshin, previously known as Korin Sangyo, started buying shares and rapidly built a 43 per cent stake. Kokusai's shares soared from Y2,000 to more than Y7,000.

Koshin already had a formidable reputation for greenmailing – in 1986 it attacked Janome, the sewing machine maker. Koshin is headed by Mr Kozo Kotani, a property developer and stock market operator.

However, Kokusai's Mr Akira Masuyama refused to give in meekly in the face of Mr Kotani's demands. The company had a strong profit record and a technological lead in computer mapping techniques. It also had a solid land portfolio, including some choice sites in central Tokyo.

But Mr Masuyama reckoned without his father, who suddenly pledged to vote his 15 per cent shareholding with the raiders, for reasons which are still not known. This gave Koshin 58 per cent of the votes – enough for victory.

Mr Akira Masuyama refused *to give the raiders a chance to* put their power to the test. He demoted his father from chairman to consultant. Then, days before the annual meeting in June this year, he secured a court order which annulled the greenmailers' voting rights on the grounds that their activities were "socially unacceptable."

Even lawyers sympathetic to the son's cause questioned this verdict. It was subsequently overturned, leaving him defenceless at the weekend.

Nevertheless, victory leaves the greenmailers in a quandary. Mr Kotani's forte is raising funds for stock market raids, then departing with the profits. His lawyers said at the weekend that Koshin was committed to Kokusai's future. Koshin has appointed as Kokusai's president a former senior executive of Kyocera, the ceramics group.

But Mr Masuyama warned Koshin was only interested in Kokusai to break it up. He pledged to return.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday December 13 1988

INSIDE

La Générale shuffles the pack

A new pact between the owners of Société Générale de Belgique, and a complex reshuffling of their shares in the holding company were announced yesterday. The moves follow on from the dramatic takeover battle for the group earlier this year and form part of a plan to place up to 12 per cent of the company's capital back on the stock market. Viscount Etienne Davignon(left), vice president of the diversified Belgian group, described a smaller, initial placing as a "good omen." Page 27

Norsk tidings of comfort and joy

Celebrations continued among members of the Oslo stock exchange yesterday after last week's news that a 1 per cent equity turnover tax is to be suspended for next year. Share prices climbed to their fifth consecutive record high, and analysts are forecasting further joys ahead. Page 52

Slick US smear campaign opens the eyes of the tiger

The American Soybean Association's sustained efforts to smear palm oil with health fears have at last goaded Malaysia, the world's biggest producer, into retaliation. On the eve of a $10m campaign to promote the positive health aspects of palm oil, Doctor Lim Keng Yaik, the country's Primary Industry Minister, said US attacks were "below the belt" and warned that they had "awakened a sleeping tiger." Page 40

Lan Chile back on the runway

Chile is to relaunch plans to sell a stake in its national airline, and next year will put on sale 51 per cent of shares in Lan Chile. The move follows last month's failed attempt to dispose of a 32.7 per cent stake. Page 26

Profits upsurge at S & N

Scottish & Newcastle Breweries, the British drinks business with brands which include Younger's beer and McEwan's lager, yesterday reported interim pre-tax profits up 26 per cent — ahead of market expectations. A bid for the company from Elders IXL, the Australian brewer, is being investigated by the Monopolies and Mergers Commission. Page 32

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)						
Falls				Enstel Marker	5500	+ 200
Karstadt	381	- 20.5		Air Liquide	549	+ 19
Kaufhof	356	- 18		Falls		
RWE	226	- 5.5		Lesieur	2000	- 85
Veba	228.8	- 3.2		Soc Generale	391	- 24
Conti-Gummi	264	- 3.3		Gal Lafayette	1225	- 55
Bay Vereinsbank	354			**TOKYO (Yen)**		
NEW YORK ($)				Rises		
Rises				Japan Battery	1140	+ 130
Henley Manfctg	88	+ 8		Kurbayashi Sisp	1350	+ 150
Pennwalt	98½	+ 15¼		Nitton Valve	980	+ 100
Pillsbury	62⅞	+ 4⅝		Falls		
TW Services	35⅜	+ 4⅜		Shin Nippon Mch	1500	- 130
Falls					2240	- 180
Fieldcrest Cann	21	- 2¼		Konami Industry	2480	- 190
Fortune Fin	24¼	- 3⅜				
PARIS (FFr)						
Rises						
Locafrance	448	+ 18				

New York prices at 12.30.

LONDON (Pence)				Chrysalis Prop	190	- 4
Rises				Glaxo	£10¾	- ⅛
Amstrad	150	+ 4		Grand Met	438	- 6
Hepworth	218½	+ 9½		Harrisg Assoc.	345	- 12
Lonrho	345	+ 11		Local London	450	- 10
Plessey	215xd	+ 8		MEPC	527xd	- 5
Storehouse	188	+ 6		Miller (Stan)	146	- 11
Thomson T-line	77	+ 26		Sock Shop	199	- 12
Wimpey (Geo.)	252½	+ 9½		Trusthouse F.	249	- 5
Falls				Wolv & Dudley	421	- 9
Allied-Lyons	443xd	- 7				
Body Shop	480	- 25				

Pillsbury shuns higher GrandMet bid

By Roderick Oram in New York

PILLSBURY rejected yesterday an improved offer of $63 a share from Grand Metropolitan as both parties appeared in court for hearings on the food group's poison pill, probably its last line of defence against takeover by the UK bidder.

The court ruling, which could come by the end of the week, is keenly awaited not only by the companies but also by investment bankers and lawyers. Wall Street is searching for a clearer idea of the effectiveness of poison pills in Delaware, the state where a majority of large US companies are incorporated.

Some 88 per cent of Pillsbury's shareholders have tendered their shares to GrandMet but it cannot accept them without triggering the poison pill. Under the pill, a flood of new stock is issued, making the takeover uneconomic.

Sensing the two-month battle was reaching a climax, arbitrageurs and investors pushed up Pillsbury's share price yesterday morning by $4 to $62¼ in heavy trading. The latest offer values Pillsbury at $5.49bn.

GrandMet had raised its offer from $60 during weekend negotiations in New York. One participant described these talks as "a series of offers, deadlines and threats." Mr Philip Smith and Mr Allen Sheppard, chief executives respectively of Pillsbury and GrandMet, met twice while their legal and financial advisers negotiated intensively.

The talks foundered on price, with Pillsbury's directors apparently holding out for an offer falling within the $68 to $73 a share valuation of their company by its four investment bank advisers. GrandMet said it was willing to offer $65 in a friendly transaction.

The two sides reported different versions of the hectic weekend events, however, with Pillsbury, for example, believing GrandMet was prepared to go as high as $67. The camps appeared to end up with conflicting impressions of what each might offer or accept.

Lawyers unconnected with the battle were generally unwilling to predict how the court might rule. In recent cases, Delaware judges have tended to favour keeping poison pills in place while they still promote an auction for the target company. In some cases, the pill has been removed once final competing offers are on the table, thus giving shareholders a chance to chose between them.

The Pillsbury case is different, though, because no counter – bidder has challenged GrandMet and Pillsbury's management has had great difficulties in working up a restructuring and recapitalisation of their own to offer shareholders as an alternative.

Thus the court will have to decide if the negotiating process between Pillsbury and GrandMet has run its course, making it time to allow shareholders to chose for themselves.

SGS-Thomson develops taste for British chips

Terry Dodsworth on the effects of a proposed link with Inmos

Mr Pasquale Pistorio, the flamboyant president of SGS-Thomson (ST), is close to concluding the first big step in his expansionist strategy for the Italian-French chip manufacturer.

Should plans to acquire Inmos, the UK semiconductor group, succeed, ST will gain a broader technology base and the ability to make microprocessors, the tiny chips which perform the central thinking processes in personal computers (PCs) and other products.

Just three months ago, celebrating ST's first year of operation, Mr Pistorio pinpointed the microprocessor area as one of the key technologies for the group's development.

At the time, ST was still emerging from extensive rationalisation following the merger of its two constituent companies – the SGS group from Italy and the semiconductor interests of Thomson, the French electronics company.

It had closed five factories, pushed through 2,000 redundancies and reorganised its production by reshuffling about 100 processes within its remaining facilities.

After the cost-cutting, however, Mr Pistorio fixed his eyes firmly on growth. Since the merger, he has talked consistently of the need for adequate size to compete effectively in today's semiconductor market – a point recently reinforced in the US by Harris' takeover of General Electric's micro-electronics division.

And size, he argued, was partly a question of geographical spread and partly of products.

A takeover of Inmos would give the group a flagship product in the form of the celebrated transputer, an advanced microprocessor often known as a "computer on a chip."

Microprocessors are the most complex of chips, and their producers inevitably have a high profile among users. Indeed, the strength of the US semiconductor industry is today based on its skills in this area, where it has a strong lead over the Japanese through Motorola, Intel and National Semiconductor.

In parallel with the move into microprocessors, Mr Pistorio wants to drive ST into the memory chip business.

His aim here is to achieve capability in dynamic random access memory chips (Drams), the largest selling single family of semiconductors.

Although competition is fierce, ST is eyeing the market for several reasons: it is easiest to polish a company's production processes on these chips, which are relatively simple to make; their wide dissemination gives a producer a broad market base; and as chips become more complex, it will become increasingly important that manufacturers are able to mix together various combinations of memory and processing functions.

In terms of geography, ST is already well spread throughout Europe and the US. But Mr Pistorio believes it is essential to develop its position in Japan – a direction in which the company is now making progress.

Pasquale Pistorio: eyes fixed firmly on growth

European semiconductor revenues 1987 US $ million

COMPANY	
PHILIPS/SIGNETICS	969
SGS-THOMSON Microelectronics	535
TEXAS INSTRUMENTS	525
MOTOROLA	501
SIEMENS	446
NATIONAL/FAIRCHILD	382
INTEL	295
NEC	258
AMD/MMI	246
ITT	243
TELEFUNKEN ELECTRONICS	194
HITACHI	181
TOSHIBA	164
GE SOLID STATE	122
PLESSEY	92
ANALOG DEVICES	77
FUJITSU	77
ASEA BROWN BOVERI	72
FERRANTI	65
HEWLETT-PACKARD	51

Source: Dataquest

So much for ST's strategy. But what will the proposed merger do for Inmos and the enlarged group?

Inmos has had a troubled history. It was started by a Labour Government enthusing over high technology in the late 1970s, but has always been short of sufficient cash to develop its ambitious projects for products which many experts regarded as ahead of their time.

It was sold to Thorn EMI in the days when that company was pushing headlong into new high-tech product areas.

It has been offered for sale because Thorn has balked at the investment needed to keep up with the pack in the semiconductor industry.

A combination of Thorn's cost-cutting and a strong market have this year turned Inmos into a profit earner – it made about $6.47m in the six months to September and is expecting sales of about $130m for the full year.

This turnround into into profitability, however, has not been enough to make Inmos a more attractive proposition to Thorn, *largely because the semiconductor* company will demand more resources to continue on its expansion track. Hence the logic of linking Inmos with ST.

According to Mr Bipin Parmar, an analyst at the London office of Dataquest, the market research company, Inmos will have more opportunities to expand within ST which has production facilities which would be made available to the British company and which has production technology which would be useful in shrinking the size of Inmos'chips.

At the same time, says Mr Parmar, the proposed link with ST would give Inmos some much-needed stability.

There is no questioning Inmos' technology, he adds. Its transputer is winning increasing acceptance because of its high processing speeds, and its other products – a fast, specialised memory device and a chip which helps with PC colour graphics – are also gaining ground steadily. But up to now Inmos has been like a "very clever child without a strong parent."

The crucial question, of course, is how easy ST will find it to fund Inmos' developments as well as its own.

The group has at least got strong backers – the French Government stands behind Thomson, which has a half share in ST, and the Italian Government ultimately owns the other 50 per cent in the company through SGS.

In September, the group announced an additional equity injection of $100m from its parents and it claims this is enabling it to reconstruct its balance sheet to show about $600m of debt, sustained by $500m of shareholders' funds.

It is also breaking even at present

Nikko buys stake in US financial advisory business

By Janet Bush in New York

BLACKSTONE GROUP, a Wall Street investment banking boutique, has sold 20 per cent of its financial advisory business to Nikko Securities of Japan for $100m.

Nikko, one of the big four Japanese securities houses, with net capital of $4.7bn, will be entitled to 20 per cent of the advisory fees generated by Blackstone.

Blackstone was set up in 1985 and has acted as adviser on the two largest US-Japanese mergers, both in 1988 and each worth more than $2bn. They were the purchase of CBS Records by Sony and Bridgestone's acquisition of Firestone. In less than three years, Blackstone has advised on transactions worth more than $15bn.

The deal announced yesterday formalises an already close working relationship between the two companies. The two recently acted as advisers on the acquisition by Sumitomo Electric Industries of Judd Wire, their first joint cross-border deal.

In October 1987, Nikko became one of the three largest limited partner investors in Blackstone, with an investment of $100m in Blackstone Capital Partners.

That deal was closely mirrored this July when Nomura, Japan's biggest securities house, bought a 20 per cent stake in mergers and acquisitions specialist Wasserstein Perella for $100m, a price regarded by analysts at the time as on the high side.

When Nomura bought into Wasserstein Perella, the US firm had already advised on transactions worth $19bn.

Japanese securities brokerages are known to have little expertise in mergers and acquisitions, and have sought to build joint ventures with US merger specialists as well as using these partnerships to train their own personnel

Mr Yasuo Kanzaki, vice president of Nikko, noted yesterday that a Nikko employee was already being trained by executives at Blackstone and that yesterday's deal provided for the training of two more.

In a joint statement, Mr Peter Peterson and Mr Stephen Schwarzman, chairman and president of Blackstone, said the Nikko deal provided capital to help with diversification plans, which might include restructurings of troubled companies and some trading activity.

Nikko's participation would also bring better access to Japan's capital markets, Nikko's substantial Japanese corporate client base and an ability to service US and European clients in the M&A area better.

Ladbroke in Thomson T-Line bid

By Ray Bashford in London

LADBROKE Group, the hotels, property, betting and retail company, yesterday launched a £165m ($303.6m) takeover bid for Thomson T-Line, the industrial holding company with the Vernons football pools as its principal subsidiary.

The offer is conditional on Thomson shareholders rejecting the company's bid for Suter, the industrial holding company headed by Mr David Abell, which was announced last month. There was no immediate reaction from Thomson last night.

Vernons is Britain's second largest pools operator, with 21 per cent of the market, after Littlewoods, with 77 per cent.

Ladbroke is offering 80p a share in cash, and there is a loan note alternative.

Ladbroke was one of the companies which stalked Vernons earlier this year before Mr Robert Sangster agreed to sell the company to Thomson for £90m. Ladbroke is understood to have mounted an aborted attempt to gain control of the pools company in 1974.

Mr Cyril Stein, Ladbroke's chairman and managing director, said Vernons would "fit like a glove" with the company's existing betting operations.

He plans to dispose of Thomson's industrial operations in manufacturing and distributing electrical, chemical and fastener goods. However, some properties might be retained.

Mr Stein estimates that after these disposals the company would acquire Vernons for less than the £90m paid by Thomson.

The acquisition of Vernons was the culmination of two years of growth at Thomson as the company was steered away from loss-making operations as a timber merchant under the guidance of Mr Hugo Biermann and Mr Julian Askin.

However, the decision to attempt a takeover of Suter, financed largely through an issue of £100m of convertible preference shares, has created unrest among shareholders and has sent the stocks to a low for the year.

Thomson shares rebounded yesterday when the company said it had received a takeover approach from an unnamed source. They closed 27p higher at 77p, before the firm Ladbroke offer was announced.

Suter's shares were knocked down 10p to 198p on fears that the bid for it would be dropped.

Parker/Pentland deal collapses

By Christopher Parkes, in London

PARKER, the trouble-prone UK pen-maker, stumbled again yesterday when plans for it to be taken over by Pentland Industries were hastily scrapped.

After two aborted attempts at a London Stock Exchange flotation in the past year and yesterday's acrimonious parting, the privately-owned writing instrument maker is retreating to its Sussex base.

"I do not want any more offers," said Mr Jacques Margry, chief executive. His plan now is to recapitalise the company with the help of existing shareholders and continue independently making pens, keeping as far from the City as possible.

Only Bankers Trust, one of the five institutional investors which backed Mr Margry's management buy-out from the company's former US owners, now trading as Manpower, the temporary help agency, wants to sell its stake of 10 per cent.

Management controls 25 per cent. *The other investors are led* by Schroder Ventures, which has a 30 per cent stake.

The deal, which valued the target at more than £180m ($324m), fell apart because Parker was unwilling to offer Pentland certain unspecified warranties and indemnities, Pentland claimed.

Mr Frank Farrant, Pentland's finance director, said last night that he had hoped to conclude the purchase at the price agreed *initially*, despite the current hostile trading environment, and was seeking only to protect shareholders' interests.

It emerged yesterday that negotiations had been complex and fraught from the start. It was suggested that the first news of the deal was deliberately leaked early in September before Pentland was properly ready. Parker, an international group, consists of 19 separate companies, the transfer of which involved an immense amount of detailed paperwork.

Pentland called a halt to talks early in October, but Parker came back to restart negotiations, only to have them collapse.

There were further leaks last week – this time from the Pentland camp – that a deal was imminent, while the Parker side was far less optimistic.

In a formal statement yesterday, Pentland said that an agreement was reached last Friday subject to confirmation of final amendments by those not present at the drafting of the deal.

"Such confirmation was apparently forthcoming but further issues were then raised by some of the institutional shareholders [in Parker] on which agreement could not be reached," the statement said.

Mr Farrant said he was once again looking for suitable purchases to enhance Pentland's strength in branded products, notably through its large stake in the Reebok sportswear business.

INTERNATIONAL COMPANIES AND FINANCE

Pennwalt stock jumps on $765m bid by Centaur

By James Buchan in New York

STOCK IN Pennwalt, the venerable Philadelphia chemicals group, rose sharply yesterday on Wall Street with the announcement of a $765m takeover bid from a group of New York investors.

Pennwalt shares, which have been the object of intense speculation since June, soared $13¾ to $97¾ in feverish early trading yesterday morning in response to a $100-a-share offer from Centaur Partners, a New York investment partnership.

Centaur, controlled by two successful but little known investors, Mr Abbey Butler and Mr Melvyn Estrin, said it had lined up $600m in bank and bridging finance for the deal, and its bankers were confident they could syndicate up to $250m more.

The offer stunned Wall Street. Analysts believe the partnership may be seeking to break up Pennwalt into its constituent basic and specialty chemicals operations. Mr Christopher Willis, an analyst at Brown Brothers Harriman on Wall Street, said: "They are out there to realise the underlying asset value."

Pennwalt would not comment on the offer yesterday. But there is speculation that the company may seek a higher price or stage its own leveraged buy-out at a higher price.

The partnership, which announced in June that it had bought heavily into Pennwalt stock, revealed yesterday that it owned 12.7 per cent of the company. To buy out the remainder at $100 a share and pay banking and legal fees would cost $765m, Centaur said.

Centaur also announced yesterday that it was suing Pennwalt in Pennsylvania court to overturn anti-takeover provisions in the company's by-laws and to challenge state takeover laws.

Pennwalt, which was founded by Philadelphia Quakers as a salt company in 1850, has drastically cut operations to its historic chemicals business this autumn in response to the turbulent market in its stock.

Mr Edwin Tuttle, chairman, sold Pennwalt's pharmaceuticals business to Fisons of the UK and part of its equipment division to Sweden's Alfa-Laval and used the proceeds to buy in $403.75m in stock last month.

The flurry of deal-making has left Pennwalt with substantially only its operations in agrichemicals, fluorocarbons and other chemicals, which had operating profits last year of $102.9m on sales of $846.3m last year. Mr Willis believes these businesses, which are riding boom conditions, could generate as much as $1bn in sales and $150m in operating profits next year.

GM to pay US workers $90m in profit sharing

By Karen Zagor in New York

GENERAL MOTORS, the world's largest vehicle maker, yesterday announced it will pay around $90m in profit sharing to its US-based hourly and salaried employees, based on forecast 1988 earnings. About 450,000 GM employees will be eligible.

Although the results for the year to December 31 will not be available until early 1989, US pre-tax profits are expected to be high enough to trigger profit sharing for the first time since 1985. Ford Motor, in contrast, has been paying large bonuses reflecting its superior financial performance.

GM's net earnings were up strongly for the first nine months of 1988, at $3.6bn, or $10.09 a share, compared with $2.72bn or $7.70 last time. Revenues rose to $81.38bn against $75.40bn last year.

GM's shares rose $⅛ to $87 on the news.

Air fare discounting battle in US spreads

By Roderick Oram in New York

SEVERAL leading US carriers have followed the lead of United Airlines and are offering discount fares to business travellers in the first major dent in the industry's efforts to raise revenues sharply.

The revised fares, however, give far slimmer discounts than those discontinued on November 22 by all but the smallest airlines.

On average they give a 15 per cent price break if they are bought seven days in advance and they carry 25 per cent cancellation fees. The old discounts had cut regular coach class fares by up to 40 per cent, or even more.

Holiday makers and other travellers who can plan further ahead than businessmen can still use 14-day advance purchase fares but their discounts too were reduced in November.

United said the end of short-term discount fares had had no impact on its traffic yet, but its studies showed it might in the longer term persuade businessmen to make fewer trips. "There was a segment of the market that was not being addressed by the new fares," the company said.

Texas Air, the parent of Continental and Eastern which had initiated the fare increases in November, quickly followed United's move. The only other back-tracking on domestic services had been some special winter fares to Florida, although trans-Atlantic carriers are offering sharply cut fares to Europe.

Even before the latest round of increases, the US airline industry had pushed up its fares by an average of 11 per cent this year.

Many individual fares have risen far more sharply, some by as much as a third, reflecting a concentration of traffic among fewer carriers and a decline in competition on many routes since deregulation.

A growing number of US corporations is offsetting the increases by agreeing to bring most of their business to one airline in return for specially negotiated discounts.

Chilean airline taxis towards new sell-off

Barbara Durr reports on the relaunched privatisation plan for Lan Chile

Chile is to try once again to sell a stake in its national airline when next year it will offer 51 per cent of Lan Chile's shares.

This follows the failure, at the 11th hour, of last month's attempted sale of 32.7 per cent of the airline due to a breakdown in the poorly prepared bidding process. In this attempt, British Airways and five other companies had qualified to bid.

Although the sale of the airline was announced early this year and 22 interested parties were whittled down to six prequalified bidders by October, only one offer was finally received.

That was a joint bid from Guinness Peat Aviation, the Shannon-based aircraft leasing group, and Forestal Quineneo, the Chilean forestry and agricultural company, and was disqualified.

According to Col Jose Martinez, heading the privatisation effort at Corfo, the state development corporation, there were three reasons for collapse of the sale.

First the percentage of shares on offer did not permit control of the company. Corfo put up only 32.7 per cent of the airline, worth an estimated $15.7m with the stipulation that the winning bidder would have to purchase another 11 per cent of the shares or increase the capital so that Corfo remained with just 40 per cent of the airline.

Employees own 15 per cent and Compania de Acero Pacifico, another Chilean company, which was also a bidder, owns 1.3 per cent. Col Martinez said: "Companies did not want to pour capital into an airline where they had insufficient control to decide policies."

In addition, after two years of profits, Lan Chile's results for January to September this year showed a $218,000 operating loss. The loss arose because of unscheduled repairs that threw the airline's budget out of line. This dimmed investor interest.

Finally, a day before the bidding closed the government anti-monopoly commission decided that Ladeco, Chile's other private airline and a pre-qualified bidder, was not a suitable buyer because competition on national air routes would be all but eliminated.

Similarly, the commission said another bidder, the European Bank for Latin America, would have to sell its 12.5 per cent stake in Ladeco if it won the Lan Chile shares.

Creating further confusion, the Government appeared to recognise at the 11th hour that the percentage of shares for sale was too small and announced it was amending the law that permitted Lan Chile's privatisation to allow sale of the entire Corfo stake.

Col Martinez points out that the Government's intention to sell more of the airline was not unknown to bidders, but he admits that the last minute announcement created uncertainty. He believes that investors may have wanted to wait until a greater portion of Lan Chile was up for grabs.

Price may also have been a factor. Although employees purchased their shares earlier this year at $0.15 each, Corfo had set a minimum price for bidders at $0.27. This figure was established on projections on Lan Chile's improved profitability under private management.

Expansion of the fleet, additional routes and the possibility of entry into ancillary industries such as food and hotels were believed to be the big advantages for investors.

Another consideration, though never made public, was the regime's reservations about selling the airline because of national security concerns. The commander of the Chilean Air Force is said to have raised some objections as the final bidding drew near.

Mr Guillermo Letelier, vice president of Corfo, has now announced that bidding will re-open at the beginning of 1989 for majority control of the airline, following approval of new legislation for its privatisation. Corfo's conclusion, after an examination of the failed sale by the Chilean subsidiary of Chase Manhatten Bank, the agent for the operation, appears to be that investors were unwilling to accept just a minority stake.

Lan Chile is regarded as an extremely well run airline. It ranked eighth last year within International Air Transport Association for productivity and it registered the highest ratio of passengers per kilometre of any comparable airline.

Its on-board services, from first class to economy, measure up to the best European carriers. It also developed a fuel saving system that was so effective that Boeing recommends the system to all other owners of its jets, according to Mr Gustavo Gutierrez of Lan Chile.

Lan's fleet – all Boeings – is composed of one rented 747, two rented 767s, four 737s, three of which are rented and one owned, and four 707s, three of which are owned and one rented. Its international destinations include Miami, New York, *Los Angeles*, Tahiti, Madrid, Montreal and six South American capitals.

Exporting country oil groups top world table

By Steven Butler

STATE OIL companies of the oil exporting countries now dominate the ranks of the world's largest oil companies, according to a survey pubished yesterday by Petroleum Intelligence Weekly, the oil journal.

Saudi Arabia's Saudi Aramco now ranks as the biggest oil company in the world across a range of measures, followed by Royal Dutch/Shell, Exxon, Petroleos de Venezuela, and the National Iranian Oil Company, in that order.

British Petroleum occupies 10th place in this ranking, behind Chevron, Texaco, Mobil, and Pertamina, the Indonesian state company.

The ratings are arrived at by adding together measures of the companies' oil and gas reserves, oil and gas production, refining capacity, and petroleum product sales, and would appear to make history of a long-running battle between Shell and Exxon to occupy the top spot.

The ratings do not include any measures of the companies' financial performance.

The six survivors among the "seven sisters," the huge companies that once dominated all aspects of the world's petroleum industry, continue to lead in the refining and product marketing areas. These include Shell, Exxon, Chevron, British Petroleum, Texaco, and Mobil.

The state oil companies of Saudi Arabia, Iraq, Kuwait, Iran, the United Arab Emirates, and Venezuela dominate in terms of reserves.

However, some of the state oil companies, including those from Kuwait, Saudi Arabia, and Venezuela are expanding rapidly in the downstream areas, thus challenging the private companies in their remaining areas of strength.

The rankings, based on 1987 data, would show strengthened positions today for both Saudi Arabia and Venezuela, which have recently entered into new joint ventures in the downstream US market.

Norwegian groups sell stake in DNO

By Karen Fossli in Oslo

HAFSLUND NYCOMED and Dyno Industrier, two Norwegian industrial groups, are to sell a combined 38.8 per cent stake in Den Norske Oljeselskap (DNO), a small Norwegian independent oil company, for NKr110.4m ($17.1m).

The buyer is Marine Investments, a Norwegian investment group majority-owned by Mr Torstein Hagen, a Norwegian who lives in London.

Hafslund is to sell its 19.9 per cent stake and Dyno its 18.9 per cent holding for NKr81 a share, against a closing market level yesterday of NKr73.

Dyno said its sale was part of a restructuring programme.

Dyno, Hafslund and Christiania Bank, one of Norway's top three banks, have been in partnership in the DNO share ownership. However, Marine Investments did not want to buy Christiania's 9.5 per cent stake.

US commercial banks hit $5.9bn in third quarter

US COMMERCIAL banks earned a record $5.9bn between July and September and are expected to show record earnings for 1988, the Federal Deposit Insurance Corporation (FDIC) said, Reuter reports.

Profits were up partly because of higher non-interest revenues, including fees paid to banks participating in leveraged buy-outs and from improved control over expenses.

The third quarter earnings surpassed the previous quarterly record of $5.8bn in the third quarter of 1987, the FDIC said.

Mr William Seidman, FDIC chairman, told a news conference that banks were performing well but that they should exercise caution in several key areas. "The numbers are good. However, there are some cautions in the numbers," Mr Seidman said.

Banks earned $5.3bn in the first quarter in 1988 and $5.8bn in the second quarter when losses from the now defunct First Republic Bank Corporation of Dallas were taken into account, the FDIC said.

Mr Seidman stressed that Federal bank examiners were told to make sure that no bank was taking on unnecassary risk in lending for leveraged buy-outs. But he added that he did not see any risk to the insurance fund from banks' participation in leveraged buy-outs.

"Whenever it appears that there is an increased concentration of lending we like to get there ahead of the situation," Mr Seidman said.

He indicated that another area for caution was real estate lending in some Eastern states and Florida.

The FDIC noted a surprising increase in non-performing assets of $3.2bn in the third quarter. These assets included real estate loans in all the New England states, New Jersey, Delaware and Florida.

During the first nine of 1988, the FDIC recorded 186 bank failures and assisted mergers.

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Belgium's Old Lady limbers up for placing

Tim Dickson and Paul Betts on far-reaching shareholding changes at La Générale

Some of the most significant repercussions so far from this year's dramatic takeover struggle for Société Générale de Belgique were announced yesterday at press briefings in Brussels and Paris.

The developments – which involve La Générale's main shareholders as well as the company itself – include:

● A new pact between the company's owners plus a complex reshuffle of part of their shares;

● A forecast that for the first time in memory the powerful Belgian holding group is set to declare a net annual loss; and

● A clear plan for placing up to 12 per cent of the company's capital back on the stock market.

It is this last ambition which lies behind much of the activity revealed yesterday. It has been no secret that Compagnie Financière de Suez, the privatised French investment bank which saw off the dramatic challenge to La Générale from Mr Carlo De Benedetti, the Italian businessman, has borne a heavy financial burden for its efforts to defend a company known locally as the "Old Lady."

Since June, when a truce between the warring parties was signed, all stops have been pulled out to start bringing La Générale into shape, to rationalise its huge portfolio of industrial and commercial interests, and to prepare the ground to encourage private, institutional and industrial shareholders back on to the share register.

Yesterday's manoeuvres between Suez and its Belgian allies, led by the Groupe AG insurance concern, are intended primarily to simplify the shareholder structure in readiness for the forthcoming placing. The position after the changes is that there are now a number of clear blocs, notably Suez with 50 per cent, its Belgo-Luxembourg allies with 16 per cent, Cerus (Mr De Benedetti's Paris-based vehicle) with 15 per cent, and Sodinvest, a new company currently jointly controlled by the majority camp and which holds the key 12 per cent to be placed on the market.

It was announced that 2.1m shares, or 5 per cent of La Générale, have already been placed with unknown institutional investors – an operation which Viscount Etienne Davignon, La Générale's vice president, described yesterday as a "good omen" for the future.

It is understood that the price paid for these shares was around the BFr4,200 and BFr4,100 which Suez and AG respectively revealed yesterday was the average price which they paid for their holdings in the heat of the battle.

This is seen as an indication of the likely price for the placing, likely to be made initially on the Belgian bourse before the summer and on other stock markets later in the year.

The forecast net loss for 1988 of BFr500m ($13.7m) to BFr2bn is the result of a policy decision to take BFr10bn to BFr12bn of restructuring costs into this year's figures, and disguises a major improvement in the underlying profitability of La Générale.

Profits before these exceptional items are likely to have jumped from BFr1.26bn in 1987 to BFr10bn this year and were forecast yesterday to reach BFr12bn in 1989.

No estimate was given for next year's net result, which depends on the extent of any further write-offs that have to be made at other "lame ducks" in the portfolio.

Restructuring efforts have been concentrated so far in the FN defence subsidiary, the Gechem chemicals conglomerate, and the Acec engineering group.

Renaud de la Genière: Suez will cut debts sharply

Suez said the restructuring costs for these troubled subsidiaries would total about BFr12bn but would see these companies report an overall profit of about BFr1bn next year, compared with a loss of BFr1bn this year before the heavy restructuring charges.

La Générale revealed yesterday that besides the new capital already promised for Gechem, FN and Acec, what it described as "other" restructuring costs could come to BFr3bn this year. That includes a substantial and so far unknown sum at Générale Trading Company (GTC).

In Paris, meanwhile, Suez said that it expected to report consolidated net group profits of between FFr2.2bn ($371.3m) and FFr2.5bn this year, compared with FFr 2.1bn last year.

These earnings include the consolidation of Suez's 50 per cent controlling stake in La Générale which the group acquired for FFr12.9bn after the battle against Mr De Benedetti.

Suez officials said that following the anticipated net loss at La Générale for this year, the Belgian group was expected to contribute FFr960m to the French group's 1989 consolidated earnings.

They commended the efforts undertaken to turn around some of La Générale's troubled industrial assets. La Générale had also increased from 14 per cent to 22 per cent its stake in AG and from 25 per cent to 30 per cent its holding in the Tractebel energy related subsidiary. The Belgian group has also increased its stakes in other units.

At the same time, Suez disclosed yesterday a series of complex operations designed to simplify and clarify the shareholding structure of La Générale while sharply reducing the debt load of the French financial group caused by its investment in La Générale.

Mr Renaud de la Genière, the Suez chairman, said Suez would sharply cut its debts, to the managable level of FFr2bn or less, from FFr 9.2bn at the time of its initial investment in La Générale.

This reduction in debt is the result of a series of measures designed to reorganise and simplify the shareholding structure of La Générale, which at present has only 2 per cent of its shares held by the public in Belgium. After the various measures, about 19 per cent of La Générale will have been returned to the market.

The principal measure is the dismantlement of the Sodecom holding company, which grouped together 18m shares in La Générale controlled by the Suez-led Franco-Belgian alliance. Suez will retain 10.2m of these shares in a new company called Frabepar while AG would retain 2.5m shares in an entity called Erasmus.

The remaining 5.3m shares will be held by a third holding company called Sodinvest, 51 per cent controlled by AG and 49 per cent owned by Suez.

It is these shares, accounting for 12 per cent of La Générale's capital, which are expected to be floated to outside shareholders by next spring.

At the same time, Suez has acquired 2.1m shares representing about 5 per cent of La Générale from various friendly investors including Lyonnaise des Eaux, the French water group, and the Belgian Tanks concern, and has already placed them with another unidentified foreign institutional investor.

Another component of the rationalisation of La Générale's shareholding structure is a share exchange between Suez, La Générale and Compagnie Générale d'Electricité (CGE), the French privatised telecommunications and heavy engineering group which backed Suez in its battle against Mr De Benedetti.

This will involve CGE shedding its 3.3 per cent stake in La Générale to Suez in return for a 2.8 per cent stake in Suez. At the same time, La Générale is shedding its 5.2 per cent interest worth about FFr1.7bn in Alcatel, the telecommunications group controlled by CGE in partnership with ITT of the US. The Alcatel stake reverts to CGE and ITT.

La Générale in turn will increase its stake in CGE to around 4.2 per cent.

Mr de la Genière said yesterday that the La Générale investment had changed both the size and character of Suez, transforming it into a major European group with its gross assets rising from about FFr23bn at the end of last year to some FFr38.2bn at the end of this year.

The investment had also turned Suez into a leading operating group in both the banking and industrial sectors. Suez added yesterday that 50 per cent of its capital was now held by a large group of stable shareholders.

EIE conduct in Ariadne share deal 'unacceptable'

By Chris Sherwell in Sydney

A JAPANESE developer and an Australian company in which Mr Kerry Packer has an interest have been accused of unacceptable conduct in relation to a purchase of shares from Mr Larry Adler's FAI Insurances.

The National Companies and Securities Commission (NCSC), Australia's stock market watchdog, announced the finding yesterday following a private inquiry into recent transactions involving Ariadne, the troubled company which until earlier this year was controlled by Mr Bruce Judge, the New Zealand entrepreneur.

The transactions under scrutiny occurred in August and September. They are separate from those under Mr Judge's stewardship which recently became the subject of a more extensive NCSC investigation.

The commission's latest inquiry examined two purchases. One was by Magenta, which is connected with Mr Judge, and involved a 19.9 per cent stake in Ariadne. The seller was Mr Adler's FAI.

The other purchase was by a subsidiary of Essington, which is controlled by the businessman Mr Malcolm Edwards and Mr Packer, and involved a stake of some 17.7 per cent held by the Bank of New Zealand, once a lender to Ariadne.

A third group involved in the tangle was EIE Development, the high-profile Japanese tourism and property group which earlier this year bought the Sanctuary Cove resort from Ariadne, adding to its portfolio of hotels in Australia and the Pacific Rim.

The NCSC made declarations of unacceptable conduct against Essington, EIE and another nine related parties.

It said Ariadne shareholders and directors did not know the identity of the person or persons proposing to acquire a substantial interest, did not have time or enough information to consider the proposal and did not have equal opportunity to benefit.

One of the key features of the transactions was that they took place at prices of 58 Australian cents per Ariadne share, far in excess of a market price which has remained below 20 cents for months.

Kairamo death robs Finland of top industrialist

By Olli Virtanen in Helsinki

MR KARI KAIRAMO, chief executive of Nokia, who died suddenly on Sunday, not only piloted Finland's largest privately controlled industrial enterprise to one of Europe's biggest electronics companies but was also the main spokesman for Finnish industry as a whole.

As Finnish companies expanded abroad Mr Kairamo, 53, became the country's leading "European." He missed no opportunity to speak in support of integration with the EC and closer co-operation among Nordic countries. He proposed various Nordic initiatives, some of them jointly with Mr Pehr Gyllenhammar of Volvo, where Mr Kairamo was the only foreign board member.

His main task was building Nokia from a small manufacturer of basic products such as rubber, cables and paper, to Europe's third largest television manufacturer, the biggest data company in the Nordic countries, and the world's leading manufacturer of mobile telephones.

Mr Kairamo joined the company in 1970 as vice president for international affairs. By 1977 he had climbed to the top and early this decade he began to expand the company, mainly through acquisitions.

His position in Finnish industry was not challenged, either. As the country's leading industrialist he sat on the boards of some 30 companies and organisations in Finland and abroad.

His informality also became a trademark of Nokia's top management. And although he was outspoken, even blunt, he remained highly respected. Mr Kairamo was dubbed the "turbo executive" by Nokia employees – his unrelenting energy was highlighted by the ever-present Nokia mobile phone. Nokia's supervisory board will convene today to elect a successor.

Kadoorie family defends stake in HK hotel chain

By John Elliott in Hong Kong

THE PROMINENT Hong Kong business family headed by Lord Kadoorie has spent HK$1.9bn (US$243.6m) in the past eight weeks to secure its control of Hongkong and Shanghai Hotels and fight off a takeover bid launched in October by Cathay City, a small finance company headed by Mr Lo Yuk Sui.

The money has been used by the family to build up its shareholding in the company, whose flagship is Hong Kong's Peninsula Hotel. By the time its offer closed over the weekend, the Kadoories had raised their stake from a pre-bid level of around 35 per cent to 68.9 per cent.

This is the second time in a year that the Kadoories have had to fight off an aggressive takeover bid. Last year they fought off a boardroom challenge by Chinese Estates, headed by the Thomas and Joseph Lau brothers, at a net cost of over HK$100m.

Mr Lo Yuk Sui had wanted to merge Hongkong Hotels with his rapidly growing Regal Hotels, which in October took over the Aircoa hotel management chain in the US. But he underestimated the determination of the Kadoories, who also control China Light and Power, to hold on to their prestige investment.

The HK$5.80 per share price at which the Kadoories have bought 259m of their new shares is well above the HK$4.30 to HK$4.80 at which the shares were trading before the bid. Yesterday they were changing hands at around HK$5.60. An independent committee of board members not directly connected with the Kadoorie family put the company at nearly HK$9 per share during the bid battle.

The net cost to the rich Kadoorie family of their victory now depends on whether the shares fall back to their previous level.

Trelleborg to sell interest in leading bearing maker

By Robert Taylor in Stockholm

TRELLEBORG, the Swedish industrial group with interests in rubber, plastics, mining and chemicals, is to sell its 10.5 per cent stake in SKF, the world's leading roller bearing manufacturer, to Patricia, an investment company controlled by the Wallenberg family.

A Trelleborg official said yesterday that its decision to pull out of SKF was due to a "good bid," which it is estimated will give the company a profit of SKr200m ($33.2m).

The company also made it clear that the sale was no reflection on SKF's prospects, which it still regards as extremely good.

Trelleborg bought its shares in SKF only last July for a total of about SKr450m. At that time the purchase prompted widespread speculation that it would lead to an eventual takeover bid by Trelleborg.

The Wallenberg family already owned 22.8 per cent of the voting shares and 10.4 per cent of the share capital in SKF through Investor and Providentia before yesterday's announcement.

Now their stake will rise to just over a third of the voting shares and 15.4 per cent of the share capital, if the sale goes through.

At the moment, Skanska, the Swedish construction company, is the biggest single shareholder in SKF, controlling 25.2 per cent of the votes and 13.2 per cent of the share capital.

Siemens, AEG consider joint ventures

SIEMENS and AEG, two of West Germany's largest electrical groups, are exploring the possibility of joint ventures in transformers and large electrical switching equipment, David Goodhart writes from Bonn.

A Siemens official confirmed yesterday that discussions were taking place with AEG, now part of Daimler-Benz, and the West German Federal Cartel Office in Berlin.

Siemens has a turnover of only about DM70m ($41m) in this sector but the talks with AEG underline the eagerness of the Munich-based group to develop joint projects in many different fields.

The company has just announced the breaking-off of joint venture talks with Westinghouse Electric of the US. Those talks concentrated mainly on factory automation and industrial controls.

IBM Germany has refused to comment on West German press reports of a co-operation agreement between IBM and Siemens.

Nestlé in Australian transaction

By John Wicks in Zurich

NESTLE, the Swiss foods group, is to buy Rothmans Holdings' 50 per cent stake in Allens Life Savers, an Australian confectionery company. Nestlé has owned the remaining stake since last year.

The transaction, which is subject to approval by the Australian Foreign Investment Review Board, is valued at A$64m (US$55.5m). The purchase will be followed by the integration of the marketing, sales and distribution functions of Allens Life Savers and another Nestlé subsidiary, Rowntree-Hoadley.

Rothmans Holdings is the half-owned Australian arm of the UK-based Rothmans International.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday 12 December, 1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
[illegible]					
Faroe Is	(Danish Kroner)	12.3975	6.7304	3.8651	5.4795
Fiji Is	(Fiji $)	2.5368	1.3771	0.7908	1.1212
Finland	(Markka)	7.5558	4.1019	2.3556	3.3395
France	(Fr)	10.9600	5.9500	3.4169	4.8441
Fr. Cty/Africa	(CFA Fr)	548.00	297.5027	170.8495	242.2099
Fr. Guiana	(Local Fr)	10.9600	5.9500	3.4169	4.8441
Fr. Pacific Is	(CFP Fr)	198.00	107.4918	61.7303	87.5138
Gabon	(CFA Fr)	548.00	297.5027	170.8495	242.2099
Gambia	(Dalasi)	12.4526	6.7603	3.8823	5.5039
Germany East	(Ostmark)	3.2075	1.7413	1	1.4176
Germany West	(D Mark)	3.2075	1.7413	1	1.4176
Ghana	(Cedi)	425.9640	231.2508	132.8024	188.2713
Gibraltar	(Gib £)	1.00	0.5428	0.3117	0.4419
Greece	(Drachma)	267.25	145.0868	83.3203	118.1215
[illegible]					
N'nd Antilles	(A/Guilder)	3.2945	1.7885	1.0271	1.4561
New Zealand	(NZ $)	2.8755	1.5610	0.8964	1.2709
Nicaragua	(Cordoba)	590.85	320.7654	184.2088	261.1491
Niger Rep	(CFA Fr)	548.00	297.5027	170.8495	242.2099
Nigeria	(Naira)	9.7547	5.2957	3.0412	4.3114
Norway	(Nor. Krone)	11.8950	6.4576	3.7084	5.2574
Oman	(Rial Omani)	0.7100	0.3854	0.2213	0.3138
Pakistan	(Pak. Rupee)	35.00	19.0010	10.9119	15.4696
Panama	(Balboa)	1.8420	1	0.5742	0.8141
Papua New Guinea	(Kina)	1.5125	0.8211	0.4715	0.6685
Paraguay	(Guarani)	598.08o	324.6905	186.4629	264.3447
		1880.17a	1020.7220	586.1792	831.0143
[illegible]					
Virgin Is-US	(US $)	1.8420	1	0.5742	0.8141
Western Samoa	(Tala)	3.4100	1.8512	1.0631	1.5071
Yemen	(Rial)	17.95	9.7448	5.5962	7.9337
Yemen PDR	(Dinar)	0.6313	0.3427	0.1968	0.2790
Yugoslavia	(Dinar)	8063.13	4377.3778	2513.8363	3563.8143
Zaire Rep	(Zaire)	432.64	234.8751	134.8838	191.2220
Zambia	(Kwacha)	17.25	9.3648	5.3780	7.6243
Zimbabwe	($)	3.5050	1.9028	1.0927	1.5491

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday 12 December, 1988

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on December 12

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†93½	94	0	+0½	9.86
A/S Eksportfinans 7¼ 92	150	93⅛	93⅝	0	+0⅛	9.81
B.F.C.E. 7 92	150	92½	93	0	+0⅛	9.64
Brit. Tel. Fin. 9⅞ 98	250	98⅛	98⅝	-0⅛	+3¼	9.63
Canada 9 96	1000	98⅛	98⅝	-0⅛	+0¼	9.31
Canadian Pac 10¼ 93	100	†101¼	102¼	0	+0¼	10.07
C.C.C.E 9¼ 95	300	98¼	98¾	-0⅛	+0⅛	9.56
C.N.C.A 9⅞ 93	150	99	99⅝	-0⅛	+0⅛	6.59
Credit Lyonnais 9 91	200	†98⅝	99⅛	-0½	-1⅛	9.55
Credit National 8¾ 93	200	94⅞	95⅜	-0¼	0	9.65
Credit National 7¾ 92	100	93⅞	94½	-0⅛	+0⅛	9.56
Credit National 7¼ 91	150	†93⅞	94⅜	-0⅛	0	9.69
Dai-Ichi Kan 9⅞ 92	150	99½	100	0	0	9.68
Denmark 7¼ 92	500	92⅝	93⅛	-0⅛	+0⅛	9.78
E.E.C. 7 91	100	93½	94	0	0	9.51
E.E.C. 7¼ 93	250	92⅛	92⅝	+0⅛	0	9.51
E.E.C. 8 90	350	97¼	97¾	-0½	-0⅛	9.68
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	35	102⅛	102⅝	-0⅛	-0⅛	4.68
Belgium 4⅝ 94	45	98⅝	98⅞	-0⅛	0	4.88
Canada 4⅞ 92	80	99⅛	99⅝	0	0	4.60
Elec. De France 5⅛ 94	20	101⅛	101⅝	-0⅛	-0⅛	4.82
Ireland 5⅛ 93	30	100⅛	100⅝		0 -0⅛	4.99
Norway 5⅛ 95	50	101⅛	101½	-0⅛	-0⅛	4.86
Rep. of Italy 5⅛ 92	130	103⅛	103½	-0⅛	0	4.58
Sweden 4⅞ 93	50	99½	99⅞	-0⅛	-0⅛	4.71
World Bank 5½ 92	50	103	103⅛	-0⅛	-0⅛	4.57

Average price change... On day -0⅛ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS. 10¼ 93 £	90	97⅛	97⅝	0	0	11.05
Alg. Bk. Ned 5½ 92 FL	150	98⅝	99⅛	-0⅛	-0⅛	5.89
Alg. Bk. Ned 5⅛ 93 FL	200	98⅝	99⅛	0	0	6.05
Alg. Bk. Ned. 5⅛ 93 FL	150	101⅛	101⅞	-0⅛	-0⅛	5.77
Amro Bank 6¼ 92 FL	100	95⅛	95⅝	-0½	-1⅛	14.21
[illegible]						

[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						
Land Secs. 6¼ 02 £	6/87	6.72	91⅞	92⅞	-1⅛	15.50
MCA Inc 5⅛ 02 US	9/87	69.62	81	82	-0⅛	25.74
Minolta Camera 2⅛ 94 DM	2/86	1004.	97⅛	98⅛	0	20.69
Mitsubishi Bk. 1⅛ 02 US	9/87	3157.	136⅛	138⅛	-1⅞	4.85
Mitsui Trust 2⅛ 01 US	10/86	1903.	141	142½	-0⅛	5.16
Next Plc 5⅛ 03 £	11/87	4.3	96⅛	97⅛	-0⅛	227.16
Nishi Nipp. Bk. 2⅞ 03 US	4/88	804.	121	122⅛	0	14.91
Onoda Tatebi 2⅞ 02 US	4/87	1310.	217⅛	219	-0⅞	-0.22
Primerica 5½ 02 US	4/87	66.75	63⅜	64⅜	+0⅛	50.77
Sears Hlnds 4⅛ 03 £	1/88	3.5	107⅛	108⅛	-0⅛	9.76
Redland 7⅛ 02 £	1/87	5.4	–	–	–	–
Saatchi&Saatchi 6⅛ 03 £	†10/89	4.41	93	94	0	30.49
Texas Inst. 2⅛ 02 US	9/87	82.87	72⅛	73⅛	+0½	58.93
W.R. Grace 6⅛ 02 US	9/87	42.12	81⅛	82⅛	0	34.57

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.
Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.
Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
D-MARKS						
Dresdner Finance◆	1bn	5½	100	1994	n/a	Dresdner Bank
Union Bk of Finland◆	200	5½	101	1994	2/1¼	Deutsche Bank
Amsterdam-R'dam Bk‡◆	250	(c)	100	1999	40/20bp	Trinkaus & Burkhardt
CANADIAN DOLLARS						
Toronto-Dom.Bk(Gr. Cay)◆	100	11	101½	1992	1⅜/⅞	UBS (Secs)
Banque Paribas Lux.◆	75	11¼	101.45	1991	1⅛/⅝	Banque Paribas
ECUs						
SCA Cap.Corp.§	100	(4¼-4½)	100	2004	2½/1½	Svenska Int.
US DOLLARS						
Final terms fixed on:						
Nippon Stain. Steel(a)Φ◆	100	4½	100	1992	2¼/1½	Yamaichi Int. (Eur)
Life Co.(b)Φ◆	80	5⅛	100	1992	2¼/1½	Nikko Secs.(Europe)

ΦWith equity warrants. ‡Floating rate notes. ◆Final terms. a) Coupon indicated at 4¾%. b) Coupon fixed as indicated. c) 1/16 over Libor. Convertible into fixed rate 10-yr bond from January 1990 until January 1994 - 6⅛% coupon at increasing premiums.

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INTERNATIONAL CAPITAL MARKETS

D-Mark issues dominate primary activity

By Dominique Jackson

PRIMARY activity in the Eurobond market was concentrated in West Germany yesterday where a total of DM1.45bn in new paper was launched despite uncertain secondary market conditions. Business in other market sectors was subdued ahead of a rush of important economic statistics due out later this week.

In West Germany, prices overall in the Euromark sector continued under pressure before Thursday's Bundesbank meeting.

Dresdner Bank led a jumbo DM1bn five-year issue for one of its own financing units, guaranteed by the parent bank. The deal was expected to be fairly tightly controlled by the lead manager.

Oversupply following last week's burst of new issue activity was one factor cited as behind the 30 to 40 basis point fall in D-Mark-denominated bond prices yesterday. Favourable swap rates have also meant that there is a substantial amount of bank paper outstanding at the five-year maturity. Despite this congestion, the Dresdner deal was expected to be placed largely within the bank's own retail network and the lead manager also said it expected some investors to re-invest their end of year returns in the new deal.

INTERNATIONAL BONDS

In comparison with the Dresdner deal, Deutsche Bank's DM200m five-year issue for Union Bank of Finland appeared slightly tight with the issue price of 101 apparently deterring many investors. It opened up quoted around its total fee level but later slipped to be bid at a discount of around 2.55.

Trinkhaus & Burkhardt led a DM250m 10-year subordinated floating-rate note issue for Amsterdam-Rotterdam Bank which carries an option to convert into a straight bond with a 6¾ per cent coupon from 1990. The issue was quoted at around 99.75 99.80 compared to its par issue price, a level considered fair by dealers at houses not involved in the deal.

US dollar swap rates were clearly not favourable and this factor combined with the welter of US economic data due out this week, inhibited any syndicate teams contemplating a dollar straight issue.

Two further deals duly emerged in the Euro-Canadian dollar sector yesterday, both at the shorter end of the market where Continental retail demand, particularly from the Benelux, appears to persist.

Banque Paribas Capital Markets led a C$75m deal due May 1991 for a Luxembourg-based unit of its parent bank. The lead manager said initial sales had been encouraging with larger investors also showing some interest in the deal. However, some dealers thought the deal tightly priced, given that it does not carry the full guarantee of the parent bank.

UBS was the lead manager on a C$100m issue for Toronto Dominion which is a frequent visitor to the Eurobond market although its appearance in its domestic currency is relatively rare and consequently attracts some demand. Yesterday's issue, which matures in April 1992, paid an initial yield margin of 35 basis points over comparable government securities and thus offered an attractive premium over an outstanding issue in the sector from the same borrower, due 1990 at 10% per cent.

Svenska International brought an unusual issue to the market yesterday, an Ecu-denominated convertible issue for SCA Capital Corporation which is convertible into non-restricted B shares of forestry and paper concern, Svenska Cellulosa. Although there are very few similar issues outstanding, previous deals appear to have been fairly well-received.

The lead manager said good demand had been seen from accounts in the UK, Continental Europe and the Far East. Dealers at houses not involved in the deal said it offered a fair yield pick-up over the company's equity and should appeal to retail investors concerned about the potential downside of holding solely equity in the short term.

In Switzerland, prices in the grey market eased by about ⅛ to a ¼ on the news that the major banks were raising the interest rates on their three- to 12-month customer time deposits.

W German futures exchange set for 1990

By Haig Simonian in Frankfurt

THE DEUTSCHE Terminbörse (DTB), West Germany's planned new financial futures and options exchange, looks set to open in mid-January 1990, after recent indications from the Government that necessary changes to the country's stock exchange law would be passed in time.

However, Mr Rolf Breuer, the head of the DTB's supervisory board, admitted that certain details – as to whether insurance companies and investment funds would be able to use all its contracts – remained unclear at present.

Unveiling preliminary specifications for its futures contracts on a stock index and a notional 10-year government bond, which are due to trade alongside equity options soon after the exchange opens in early 1990, Mr Breuer said plans for the exchange were proceeding "on time and on budget".

Capital requirements for members will vary from DM250m ($144.3m) for general clearing members, which will also be able to clear business for other members, to DM25m for direct clearing members, which will be permitted only to clear their own business. Ordinary members will have no clearing status.

General clearing and direct clearing members will also be required to put up a third-party guarantee of DM10m and DM2m respectively, designed to help the DTB establish a reserve fund. Mr Jurgen Franke, the DTB's chief executive, said the money provided should allow the exchange to set up a DM250-300m guarantee fund. Non-clearing members will not need to put up a guarantee.

Members joining the DTB at the start will pay a one-off fee of about DM300,000.

A further DM100,000 will be required in annual membership dues, according to preliminary estimates, although market makers will pay a reduced rate.

Mr Breuer said training and education were now becoming increasing priorities for the exchange.

Stable dollar brings modest gains in US Treasuries

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds yesterday moved modestly higher, partly reflecting stability in the dollar despite speculation of higher interest rates overseas.

At midsession, short-dated maturities were around 1/16 point higher while long-dated issues were as much as ⅜ point up from Friday's close. The yield curve remained inverted, however, with the 8.875 per cent issue due 1990 yielding 8.995 per cent and the Treasury's 9.00 per cent benchmark long bond yielding 8.91 per cent.

The dollar traded in mid-range at around Y122.80 and DM1.7405 at the New York midsession, despite speculation that the Bundesbank may raise its Lombard rate at Thursday's policy-making council meeting to combat strong growth in the money supply.

Fed Funds started yesterday at 8⅝ per cent. With people focusing on the meeting this week of the Federal Open Market Committee, amid expectations that the Fed may opt to tighten monetary policy by another notch, the Fed's addition of reserves through a three-day system repurchase was quite surprising.

GLOOM and doom on several fronts greeted the New Zealand bond market after the weekend, as traders digested the announcement on Friday evening that merchant bank DFC New Zealand was closing its government bond operation. The merchant bank, which had one of New Zealand's bigger dealing rooms, made 10 people redundant, as five more resigned, when it announced its withdrawal from domestic money and bond markets.

GOVERNMENT BONDS

During the day government bond yields rose sharply, up nearly forty basis points across the interest rate curve. Since the beginning of November, yields have jumped 150 basis points; the benchmark November 1993 bond yielded 14.35 per cent at the close on Monday.

ELSEWHERE, bond markets were generally quiet, latching on to the comfortable notion that more important economic news, notably US trade numbers for November and the Bundesbank policy meeting, was coming later this week.

Today's UK figures certainly failed to excite the gilt-edged government bond market. There has a hint of relief on the announcement figures on retail sales, which were 0.5 per cent lower in November, in contrast with a 2 per cent blip up that had caused concern in October, but prices drifted for the rest of the day.

FEARS of higher interest rates and possibly tighter money supply targets for next year disquieted the markets in Frankfurt, as they awaited Thursday's Bundesbank council meeting to fix next year's targets. Call money rates again nudged up to the 5 per cent Lombard rate, fuelling speculation that the central bank may raise the latter rate to gain policy manoeuvrability.

Prices dropped up to 50 basis points in some places at the longer end of the government bond market while the average yield on outstanding public authority bonds with more than three years still to run moved up 6 basis points.

FRENCH government bonds were quiet, ahead of the US trade deficit numbers to be announced tomorrow, together with the French inflation indicator for November.

Short-term rates edged up about an ⅛ of a point, so that short-term three-month money now stands at 8 3/16-5/16 per cent. The notional 10-year bond on the French futures exchange Matif lost 20 centimes over the day to close at 105.95.

TRADING in Japan was thin, but activity in the No.111 bond outpaced that in the No. 105, signalling the latter's demise as the market's benchmark. Turnover in the No. 105 amounted to a meagre Y195bn compared with Y537bn in the No.111. The 111s also trade at a slight premium, roughly Y3, over JGB futures.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	107-18	+3/32	10.98	11.00	10.33
		8.750	9/97	91-17	+1/32	10.24	10.21	9.77
		9.000	10/08	97-17	+1/32	9.27	9.26	9.08
US TREASURY		8.875	11/98	98-27	+6/32	9.05	9.12	8.93
		9.000	11/18	100-24	+10/32	8.93	9.13	9.00
JAPAN	No 105	5.000	12/97	103.1442	-0.288	4.51	4.49	4.53
	No 2	5.700	3/07	109.1874	-0.429	4.76	4.75	4.79
GERMANY		6.750	8/98	101.2500	-0.225	6.59	6.51	6.41
FRANCE	BTAN	8.000	10/93	97.7144	-0.151	8.58	8.57	8.52
	OAT	9.500	5/98	104.8750	+0.025	8.70	8.78	8.83
CANADA		10.250	12/98	101.2500	-0.125	10.05	10.13	10.15
NETHERLANDS		6.7500	10/98	101.3500	-0.200	6.63	6.58	6.44
AUSTRALIA		12.500	1/98	99.8829	-0.509	12.52	12.52	11.91

London closing. *denotes New York morning session
Month ago yields on US Treasury apply to the 9.250 of '98 and the 9.125 of 2018
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	54	10	47
Corporations, Dominion and Foreign Bonds	12	1	38
Industrials	265	715	602
Financial and Properties	79	255	335
Oils	21	30	54
Plantations	1	0	12
Mines	31	64	95
Others	78	80	89
Totals	541	1,155	1,272

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Monday December 12 1988

[illegible]

FIXED INTEREST

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Dec 5
- Last Dealings Dec 16
- Last Declarations Mar 06
- For settlement Mar 20

For rate indications see end of London Share Service

Calls in Lonrho, Pilkington, Norfolk Capital, ERA, Charter Consolidated, Unigate, G. Wimpey, Crest Nicholson, Belhaven Brewery, FR Group, PE Int. No puts or doubles were completed.

LONDON TRADED OPTIONS

[illegible]

UK COMPANY NEWS

Technicolor boosted by Cinderella and ET

Carlton tunes into a 46% advance

By Raymond Snoddy

CARLTON Communications, the television services company, continued its picture of growth yesterday by unveiling a 46 per cent advance in pre-tax profits to £49.1m in the year to September 30.

Turnover, including the share from an associate company, increased by 94 per cent to £217.4m and earnings per share rose by 34 per cent to 43.3p. The dividend for the year is being stepped up by 40 per cent to 7.5p via a final of 5.05p.

Carlton's interests range from Zenith, the independent films and television company, to television facilities companies such as TVi to professional video manufacturing companies such as Abekas.

The 1987-88 results do not include any earnings from the $780m (£424m) acquisition in October of Technicolor, the US film processing and video duplication company. But Carlton said Technicolor is having a good current quarter from Christmas sales of Disney video cassettes such as Cinderella and some of the duplication work for sales of ET.

Most of an extraordinary debit of £2.93m related to Carlton's obligations through its 20 per cent stake in Central Independent Television for losses of Super Channel, the general entertainment satellite channel. All the ITV companies have now pulled out of the venture which is owned by Beta Television and Mr Richard Branson's Virgin Group.

The mark of Carlton's success in the past few years has been to avoid significant involvement in the more speculative television ventures but to provide sophisticated services to all owners of television stations however their signals were distributed.

Mr Michael Green, chairman, said yesterday that 1988 marked the beginning of a new era in European television. "Advances in broadcast technology and the continuing trend towards deregulation have together hastened the arrival of commercial television channels and the creation of a substantial independent European television industry," Mr Green said.

It is unlikely that Carlton will go for major acquisitions this financial year on the scale of the Technicolor deal.

"I think it is a year for getting on with the marketplace that is expanding so dramatically," said Mr Green, who most analysts believe will move into mainstream UK broadcasting over the next five years.

Mr Andrew Hunter, leisure analyst of London stockbroker McCaughan Dyson Capel Cure, described yesterday's figures as "a great set of results." He is forecasting £110m pre-tax for the current year including Technicolor, and £140m for 1989-90.

Miss Jessica Reif, leisure analyst of New York stockbroker CL Globalpartners Securities Corporation, said that although the Carlton results were in line with expectations "the really exciting thing is that they have a great base from which to expand."

See Lex

Holmes & Marchant rises 53% to £4.5m

By Fiona Thompson

HOLMES & MARCHANT Group, marketing consultancy, yesterday reported a 53 per cent rise to £4.5m in pre-tax profits for the year to September 30. The advance from £2.95m was made on turnover ahead 56 per cent from £19.39m to £30.33m.

Earnings per share rose from 19.1p to 25.8p and a final dividend of 3.55p is recommended, for a total of 6p (4.45p).

Design accounted for 50 per cent of total sales and 61 per cent of profits, with both corporate design and graphics experiencing buoyant demand. Advertising and public relations accounted for 35 per cent of turnover and 24 per cent of profits.

Sales promotion brought in 15 per cent of sales and the same percentage of profits. The August acquisition of Catalyst, sales promotion company, gave the company a much stronger position in this field, making it the third largest in the UK.

For the future, the company said the importance of branded products would continue to grow, with clients keen to protect existing brands and to develop new ones.

The group is having talks with a number of European companies and expects to make an acquisitions announcement within the next six months, probably in the public relations field. About 5 per cent of the design business comes from Europe at present.

● COMMENT

These figures were very much in line with analysts' expectations and the shares closed 1p off at 190p. The market was somewhat wary at the time of the Catalyst acquisition but fears of skeletons in the cupboard appear unfounded. Catalyst's loss-making trade publication titles have been sold, along with a freehold property, and its PR side merged with Holmes' consumer PR company. The core Catalyst sales promotion business should contribute about £2m to profits this year. Holmes is clearly acquisition orientated and committed to growing, and it has in place good systems capable of controlling the expansion. Analysts are looking for about £7.5m this year, producing a cheap prospective p/e of 6.6, reflecting the general lack of appreciation for the sector.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total, last year
Carlton Comms ......fin	5.05†	Apr 4	3.6	7.5	5.35*
Dowty Group ....int	3.2†☆	Mar 31	2.8	-	7
FKB Group ....int	2†	Apr 10	2	-	5
Gold Greenlees ......int	3†	Apr 6	1.5	-	5.4
Hardys & Hansons ...fin	16.3	—	15.3	23.5	21.5
Havelock Europa .....int	2.6	-	2.6	-	8.6
Hicking P'cost ....int	0.5	Apr 3	nil	-	0.5
Holmes Marchant ....fin	3.55	-	2.7	6	4.45
Palmerston Hldgs.....int	2.75	Jan 23	-	-	-
Priest (Ben) ....int	0.3	Feb 3	0.2	-	0.6
Russell (Alex) ....int	0.54	-	0.54	-	1.94
Scot & Newcastle.....int	3.1	Feb 17	2.7	-	9.14
Tex Holdings ....int	2.5†	Feb 8	1.75	-	7
Tinsley (Eliza)§..........int	1.8	Feb 1	1.15	-	3.95
UK Land ....fin	11	Jan 20	5	11	5
Whitecroft ....int	4.1	Jan 30	3.45	-	11.5
Wolv/Dudley Brew ...fin	4.85	Jan 30	4.03	7	5.85

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ☆Carries scrip option.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Aitken Hume, Archimedes Inv Trust, BSS, Border TV, Brockmount, Chapman Inds, Creighton Labs, Deelkraal Gold Mining, Driefontein Cons, Fine Arts Dev, Ford Sellar Morris, Gateway, Kloof Gold Mining, Libanon Gold Mining, Lister, Plysu, River & Mercantile, Southend Property, Stewart & Wright, Wardell Roberts.

Finals- Airtours, Devenish (JA), English China Clays, Granada, Hambros Advanced Tech Trust, Kleen-E-Ze, Thornton (GW), Tilon, Vaux, Vlakfontein Gold Mining.

FUTURE DATES

Interims-

Acatos & Hutcheson	Dec 19
Arlen	Dec 21
Eve	Dec 14
Fuller, Smith & Turner	Dec 14
Northumbrian Fine Foods	Dec 21
Watergiade Intl	Dec 19

Finals-

Associated Paper Inds	Dec 15
Bridport-Gundry	Dec 16

Convoluted plot as Chesterfield bids £7m

By Clare Pearson

THE PLOT thickened yesterday in the drama concerning the ownership of Maybox, private West End theatre group, when Chesterfield Properties announced an agreed £7.1m cash bid.

Before this, the stage had appeared to be cleared for an equivalent offer, worth 250p per share, from Stoll Moss, London's largest theatre owner, after a Takeover Panel ruling that shareholders could revoke acceptances to a controversial and lower bid from Maybox's management.

Yesterday, Maybox directors said that they had irrevocably undertaken to accept, or procure acceptances of, the offer in respect of some 77.7 per cent of the ordinary shares.

Chesterfield already has connections with the thespian world through its ownership of the Phoenix and the Comedy Theatre.

The Panel stepped in to halt the management's offer last month, which had been raised from 152p to 200p. Stoll Moss had said that the original offer did not represent reasonable value, even though it had already been approved by the independent directors.

Celestion losses increase to £2m

Celestion Industries, the clothing and loudspeaker manufacturer, yesterday announced a pre-tax loss of £2.1m for the six months to September 30. This compares with a loss of £276,000 for the same period last year. In addition there are £780,000 reorganisation and factory closure costs.

The downturn was due to the "very disappointing" performance of the contract clothing business. There has been an extensive rationalisation programme with the closure of three factories and a £700,000 stock provision. Mr Charles Ryder, the new chief executive who headed a management buy-in in October, said he expected a return to profit in 1989.

Banner closes on Avdel after increasing cash offer to 88p

By Nikki Tait

THE FUTURE of Avdel, the UK fasteners group which is fighting an unwanted bid from US-based Banner Industries, hung in the balance last night after the bidder increased its cash offer from 80p to 88p a share, and promptly snapped up a further 13.3 per cent of its target's voting rights.

Last night, Banner claimed control of 47.26 per cent of Avdel.

Banner's market raid, however, was interrupted by a statement from Avdel which said that it was having talks with another potential offeror, and that these might lead to a higher offer for the company.

Avdel, the former Newman Industries, said that it was "premature to comment on the likelihood of such an offer being made" but that the position should be clarified shortly. It seems unlikely that any further announcement will be made before Friday. In the meantime, Avdel urged shareholders to take no action.

The higher Banner offer – which values Avdel at about £112m and will not be increased or revised in any circumstances – was announced at 10 am yesterday, along with news that it had purchased a further 3.75m shares in the market.

By lunchtime, the market raid had netted another 16.46m shares – the largest single block of shares (some 7m) coming from Mercury Asset Management. By the close, Banner said the figure had risen to 17.67m shares.

The bidder added that "in view of the high level of market purchases" it had decided to exercise its option over 35m Avdel shares. The option was acquired earlier this year from Suter, the industrial group, and the shares represent 26.4 per cent of the voting rights.

Banner already controls the voting rights on the stake and the holding was assented to the bid. Included in Banner's 47.26 per cent figure, are acceptances in respect of 4.13 per cent.

The delay between Banner's first share purchases and its subsequent announcement brought complaints from Avdel's advisers, S. G. Warburg. Banner, however, maintained that it had issued clear instructions to its brokers that there had been a half-hour delay in getting its announcement on to screens, and that no one had been disadvantaged.

In addition to raising its cash offer, Banner has also added a loan note alternative. The preference share offers are unchanged. Avdel shares closed 8p higher at 88½p.

Dowty rises 28% to £32.5m

By Vanessa Houlder

STRONG GROWTH in its aerospace, information technology and industrial divisions helped Dowty Group, engineering and electronics company, offset a downturn in its mining operation in the six months to September 30.

Pre-tax profits for the period increased 28 per cent, from £25.4m to £32.5m, on turnover ahead 24 per cent to £351.9m (£283.4m).

Earnings per share were up to 9.2p (7.6p) and the interim dividend is raised 14 per cent to 3.2p (2.8p).

CASE Group, computer networking group which Dowty bought for £83.7m in July, contributed £10.5m to turnover and £1.4m to profit before interest. It had returned to profits after losses for the four years prior to its acquisition, said Mr Tony Thatcher, chief executive. Dowty has cut half CASE's US workforce, installed a new management team in the UK and integrated it into Dowty's other information technology interests.

The mining division, the sale of which is currently under negotiation, increased sales but a combination of £1.3m redundancy costs from laying off 200 people and a £1m exceptional warranty settlement depressed profits.

Net assets employed in the business are £50m. Net assets of the hydraulic pump and motor, servos and railway businesses of the industrial division which is also being sold, are valued at under £10m.

Operating profits breakdown was as follows: aerospace £16.9m (£12.8m); electronic systems £5.1m (4.6m); information technology £6m (£3.4m); mining £1.9m (£4.8m); and industrial £5.1m (£2.7m).

The results included a £2.4m contribution from a property disposal. Dowty said it envisaged further property sales as it continued to rationalise businesses.

Translation effect of foreign currencies increased profit after interest by £800,000. Interest costs increased to £5.2m (£3.1m) as a result of last year's acquisitions.

● COMMENT

If last year the City greeted the efforts of Dowty's new chief executive with a degree of scepticism, 1988 has changed all that. The shares have outperformed the market by 20 per cent in the past year, as Dowty convinced the City that it has indeed reshaped its formerly cautious and sleepy operations. Yesterday's results underlined Dowty's ambitions in information technology, the sales of which will expand from 8 per cent of the group total two years ago to 26 per cent after the present round of restructuring is completed. Although this business brings risks as well as potentially strong growth, the stability of Dowty's other businesses should make it well able to absorb them. With the exception of the downturn in the mining business, a generally optimistic impression was underlined by yesterday's results. Accordingly, the shares bounced up 5p to 214p, thereby making up some ground lost last week when one broking firm downgraded its forecast. However, further outperformance seems unlikely given that, assuming pre-tax profits of £78.5m this year, the shares are already on a prospective p/e of 10.

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UK COMPANY NEWS

S&N pleases the City with £72m

By Lisa Wood

SCOTTISH & NEWCASTLE Breweries yesterday reported pre-tax profits of £72m for the half year to October 30, an increase of 26 per cent on the same period last year.

The result exceeded market expectations at a time when a £1.6bn takeover bid by Elders IXL, the Australian brewer, is being investigated by the Monopolies and Mergers Commission.

Mr Alick Rankin, S&N chief executive said: "We have not varied our approach to profits as a result of the bid. We have not cut discretionary spending and we intend to go on resourcing the business."

Earnings per share rose to 12.9p against 11.4p last time and the interim dividend is increased to 3.1p (2.7p).

S&N said all sectors of the group's varied range of business activities made excellent progress.

Turnover was £510.2m compared with £429.2m with beer sales volumes up by more than three per cent. Best performing brands included McEwan's lager, Beck's premium lager and Newcastle Brown ale.

Alick Rankin – same approach despite bid.

Operating profits rose by 29 per cent to £80.8m (£62.8m), with interest charges at £11.8m compared with £8.6m.

Beer profits were "especially encouraging" and included an initial first half contribution from Matthew Brown with the Theakston ale brand now trading separately.

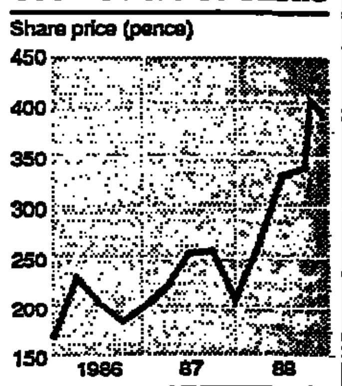
Thistle Hotels achieved "significently higher profits" despite the strong pound's restraining effect on US tourism.

Moray Firth Maltings and Waverley Vintners, the group's wines and spirits division, made "good improved profits" through volume and margin growth.

● COMMENT

S&N, with beer volume gains in excess of those of Bass, one of Britain's most credible brewers, is in better shape to mount a defence than it has been for some years should Elders be freed to mount its takeover bid for the McEwan's lager brewer. Matthew Brown is taking more time to sort out than anticipated at the time of acquisition but Thistle hotels is successfully managing a strategy of increasing room rates. Analysts are looking for about £137m for the full year which would give a prospective p/e of 17.

Scottish & Newcastle



Caution as W&D rises 19% to £26.7m

By Lisa Wood

WOLVERHAMPTON & DUDLEY Breweries, yesterday reported pre-tax profits of £26.67m for the 53 weeks to October 2, an increase of 19 per cent on the previous year.

Earnings per share increased from 22.6p to 26.9p with a proposed final dividend of 4.86p making a total of 7p (5.85p).

Mr David Thompson, managing director, said the company's intense focus on beer brands and licensed retailing gave it a competitive edge.

However, he warned that while W&D was confident of whatever the Monopolies and Mergers Commission concluded about the structure of the brewing industry, there was a possibility of short-term competitive pressures on margins in the pub trade if the tie was loosened. He said: "As in the off-trade in the past, overall profitability of the sector may suffer for a time, though we are confident of emerging among the ultimate winners."

Turnover of the Banks's bitter brewer rose 15 per cent to £141.36m (£123.25m). Volume gains were made in ales and lagers with premium lagers, including Harp Extra, Kronenbourg and Stella Artois growing by 28 per cent. W&D sells Harp lager under licence and has deferred brewing the lager itself until October 1992 at the earliest.

Trading profits were £26.98m (£22.62m). Finance charges were £1.6m (£1.34m) and profits on property disposals were £658,000 (£519,000.)

On retailing W&D said the improved economic climate in the West Midlands led customers to trade up, rather than boost volume consumption and the pubs had had a good year with increased turnover and higher margins.

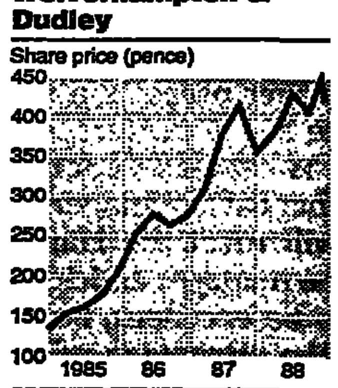
Substantial investment was being made in pubs and geographical coverage had been extended by the purchase of 61 pubs from Grand Metropolitan.

Reorganisation of distribution, with the bringing in of National Carriers Contract Services to handle part of the business, had improved working practices and costs with voluntary redundancies absorbed within operating profits.

● COMMENT

Among the regionals W&D is a beacon of good management with nice ale brands and it must be unnerving for many of its competitors to watch the Banks's brewer's share price slide – by 9p on the day to 421p – at the mere mention of the possible rough ride that margins could face in the shorter term should the tie be loosened. W&D, which is seeking to manage more of its pubs, should be reasonably well placed should this occur. The decision to defer brewing Harp lager until 1992 at the earliest is eminently sensible given the advantageous prices available and the current state of flux in the industry. Analysts are looking for pre-tax profits of about £29m for the full year giving a prospective p/e of 14 times.

Wolverhampton & Dudley



Hardys & Hansons at £4.4m

Hardys & Hansons, Nottingham-based brewer, reported pre-tax profits for the year to end-September up £228,000 at £4.4m. Turnover rose from £20.87m to £21.48m.

Stated earnings per share were 56.88p (53.59p). The directors are recommending a final dividend of 16.3p making a total of 23.5p (21.5p).

Col Thomas Foreman Hardy, chairman, announced he would not seek re-election to the board. Mr Richard Hanson has been appointed chairman.

Coloroll cuts its ties with ailing McCall

By David Waller

COLOROLL GROUP, home furnishings company, has all but severed its involvement in Crowther McCall Pattern, a financially troubled 50 per cent-owned associate of the John Crowther Textile group. John Crowther was bought this summer by Coloroll after a bitterly-contested bid.

McCall, market leader in the home sewing business in the US, has filed for voluntary protection from its creditors under Chapter 11 of the US bankruptcy code. The decision was taken despite the fact that McCall – via an investment banker – had received a number of formal offers for its business.

Mr John Ashcroft, chairman of Coloroll, explained that although McCall was expected to make a trading profit of $9m (£4.88m) on turnover of $60m in the current year, it was burdened by massive finance charges and had on a number of occasions defaulted on its debt repayments.

Coloroll was advised that it could face legal action from creditors and bond-holders even if the business had been sold. Now that the company has filed for protection under Chapter 11, Crowther's involvement – and that of Coloroll – has come to an end, save for any possible recoveries which might arise from the bankruptcy proceedings.

Coloroll has no actual or contingent liability in respect of McCall and has reduced the value of the investment inherited from Crowther to nil. Crowther bought its 50 per cent stake for $21.5m in June 1987 in a complex deal involving both equity and loan notes. The equity investment had been provided for by Crowther before it was taken over; the $7.5m value of the loan notes has been written off against the goodwill arising on the acquisition of Coloroll.

Brierley/ECC

IEP Securities, part of Sir Ron Brierley's group of companies, has increased its stake in English China Clays to 10.69m shares or 5.03 per cent.

Two more water companies accept French takeover terms

By Andrew Hill

COMPAGNIE GENERALE des Eaux, France's largest water supplier, has launched agreed bids for two more UK water companies.

General Utilities, a wholly-owned subsidiary of the French group, is bidding £10m for Tendring Hundred Waterworks, based in Manningtree, Essex, and £8.3m for Folkestone and District Water Company.

The offers come at a sensitive time for the Government, between the second reading and the committee stage of the Bill to privatise the 10 water authorities, but General Utilities denied yesterday that the Government had asked it to tone down investment in the sector.

Directors and associates of Folkestone have committed a 20 per cent stake to the General Utilities offer, and the French company already owns about 16.5 per cent of Tendring Hundred.

However, Allied Dunbar Assurance, which has a 24 per cent stake in Folkestone, has yet to decide whether to accept the bid, and yesterday said it was surprised that it had not been consulted before the offer was launched.

If successful, the bids will take water companies from under the noses of two water authorities – Anglian and Southern – both of which have already seen French predators bid for statutory companies within their area.

Générale des Eaux has now made recommended offers for four of the UK's 29 statutory water companies, out of a total of 12 agreed bids launched this year. The group already controls North Surrey and Lee Valley water companies and holds stakes in at least six others.

General Utilities is offering £250 per £10 nominal of Folkestone voting shares, against about £100 when last traded. The non-voting stock offer is 60p for 100p of 2.8 per cent preference stock, against 33p when last traded, and 110p for 7 per cent redeemable preference stock 1998.

The offer for Tendring Hundred voting shares is pitched at £75 per £100 nominal, against about £60. General Utilities is also offering £6, £9 and 120p for £1 of, respectively, 2.8 per cent, 4.2 per cent and 8.75 per cent non-voting preference stock.

● Bank of Scotland Nominees has bought a 13.6 per cent stake in Mid Kent Water Company, following the disposal of a 9.94 per cent stake by Equity and Law Life Assurance, and 5.36 per cent by Woolgate Nominees.

General Utilities, which already holds 15 per cent of Mid Kent, and Lyonnaise des Eaux, a rival French water supplier, both denied they were the beneficial owners of the stock. The third French investor in the sector, SAUR Water Services, a subsidiary of Bouygues, could not be reached for comment.

Southern Water Authority said it was not behind the holding. Its stakes in three other companies in its area have been challenged in a High Court judicial review. Judgement is expected before November 21.

Neste poised for bid as it increases Sovereign stake

By Steven Butler

NESTE, the Finnish state oil company, yesterday said it had lifted its stake in Sovereign Oil and Gas, the UK oil independent, to 29.9 per cent, after buying 8.4m shares or 15 per cent, from Home Oil company, a subsidiary of Imperial Oil. No price for the sale was disclosed.

The 29.9 per cent stake is as much as is allowed under takeover rules without making a general offer for the company, and raises the possibility that a full bid might be in the offing.

However, the market appeared uncertain as to Neste's intentions, and Sovereign shares rose by only 3p to close at 152p. This gives Sovereign a market capitalisation of £84.5m.

Home Oil retained an 11 per cent stake in Sovereign. Analysts said the sale may have been split in this fashion to allow Home Oil to obtain a higher price for the remaining stake, should a full bid materialise. Alternatively, terms of the sale could have included clauses which would reimburse Home Oil should a takeover occur at a higher price.

Neste, which is advised by Hill Samuel, had 1987 revenues of FM 28.1bn (£4.3bn). It has a relatively small portfolio of oil exploration and production assets, including some interests in the North Sea, and has expressed interest in expanding in this area.

The purchase could also be a move to hedge partially a contract by which Neste agreed to purchase the entire output of the Emerald Field, which Sovereign operates, at $17.90 a barrel or more.

Sovereign would appear to have negotiated an excellent deal in comparison to market prices today, although prices could change sharply by the time production starts in several years on the 43m barrels of reserves.

Johnstone's Paints shares up on approach

By Clare Pearson

Shares in Johnstone's Paints, USM-quoted independent paint maker, jumped 32p to 150p yesterday after it said it had received an approach that might lead to an offer being made.

The shares have been rising, against the trend of the market, since the end of last month. Yesterday the market value of the company stood at £15m.

Pre-tax profits dipped further to £602,000 in the six months to May 31, after falling sharply from £2.05m to £1.81m in the 1987 full year when they were hit by a jump in titanium dioxide prices and labour costs.

At the half-way stage the company said a 6 per cent price increase in February, to which manufacturers appeared to have stuck, would provide brief respite from continuing raw material price rises and wage increases.

Carless responds to Kelt declaration

By Nikki Tait

CARLESS, oil independent, yesterday issued a guarded response to Kelt Energy's announcement that it was declaring its £208m hostile offer unconditional as to acceptances, having secured about 71 per cent of Carless shares.

Carless noted that the offer had been declared unconditional as to acceptances but had not been declared wholly unconditional. "Kelt has not made clear whether its offer is capable of being declared wholly unconditional and, in the circumstances, shareholders who have accepted the Kelt offer are urged to continue to take no action in respect of their holdings," said Carless.

T Cowie sells Trimoco stake for £4.97m

By David Waller

T. COWIE has sold its 9.9 per cent holding in Trimoco, a fellow motor-dealer, to Bishopsgate Investments, the vehicle for the Saudi Arabian Jemeel family's interests in the UK.

The £4.97m purchase takes Bishopsgate's holding in Trimoco's ordinary shares to 34.8 per cent. With the shares up 2p to 47p yesterday, the company is capitalised at around £70m on a fully diluted basis.

Mr Roger Smith, Trimoco chairman, said yesterday that he had met representatives of the Jemeel family who had indicated to him that they wanted to use Trimoco to launch an assault on the UK motor distribution market. How this was to be worked out in practice had not been decided, he said.

He said that the family, which operates the Toyota concession in Saudi Arabia, appeared to be immensely rich, with assets in the US as well as in the Middle East. Trimoco, which made pre-tax profits of £4.3m on turnover of £215m in 1987-88, operates six Ford dealerships in the UK.

For its part, Cowie said that it rarely took passive stakes in companies. Negotiations with Trimoco had failed to bear fruit and it was decided to sell the stake at a profit.

● The unsuccessful sally made by Trimoco into high technology a few years ago has come back to haunt it with a demand for compensation and damages, totalling more than £3m, from two shareholders in Mnemos, its former data storage subsidiary, writes Clare Pearson.

It had received a writ from Al-Nakib Investments (Jersey) and, separately, Mrs Haya Al-Nakib, whose claim is based on alleged deficiencies in the prospectus issued when Mnemos was floated on the Unlisted Securities Market in 1983, and in two of its subsequent interim reports.

Trimoco said it regarded the allegations and the claim from the two shareholders as wholly without foundation or merit, and if proceedings were pressed they would be vigorously defended.

UK COMPANY NEWS

Whitecroft up to £6m despite fall in textiles

By Clare Pearson

WHITECROFT, industrial holding company, pushed pre-tax profits 25 per cent higher to £6.03m at the midway stage despite lower contributions from textiles and lighting, two out of the four operating divisions. Turnover stood at £71.77m, up from £65.56m.

The building products division, which was transformed towards the end of the period by the sale of the builders' merchanting companies, moved sharply ahead to £2.18m (£968,000).

Helped by a higher level of completions of commercial developments, property increased its contribution to £2.29m (£934,000). Whitecroft said residential house-building in the north of England, the division's other activity, continued to be buoyant.

There was a £16.57m extraordinary credit from the £34m cash disposal of the builders' merchants. The company is now considering the possibility of a significant acquisition, Mr Tom Weatherby, chairman, said.

Earnings per share rose 25 per cent to 12.79p (10.25p). The interim dividend is increased to 4.1p (3.45p).

Most of the problems were concentrated in the textiles division. Aside from reorganisation costs, there was a sharp dip in export sales and margins, attributed to a shortage of currency in the Middle East and the strength of sterling.

The UK market also had a weak second quarter divisional profits fell to £532,000 (£1.87m).

Lighting was adversely affected by the launch of new products in the display and effect market, and a decline in demand for domestic lighting. Profits were £1.79m (£1.93m).

● COMMENT

Although it was made up in other areas, the extent of the downturn in textiles came as a surprise yesterday. Since Whitecroft was not revealing how the great the above-the-line reorganisation costs in this division were, the fall made it even more difficult to assess what the second half would look like now that the builders' merchants, which used to make most of their profits in the first six months, are not in the equation. But, on the assumption that the property side can realise virtually whatever Whitecroft chooses, forecasts of about £14.5m were generally left unchanged, putting the shares on a prospective p/e of about 10. This seems more than fair value, though no-one would decry the quality of Whitecroft's management, whose example in exchanging builders' merchanting for fittings manufacturing Norcros has recently imitated.

RHM in £8.8m natural food colourings purchase

By Nikki Tait

RANKS HOVIS McDougall, food and bakeries group, yesterday announced that it is buying Overseal Foods, which specialises in natural food colourings, for a total of £8.8m. The deal will be settled partly in cash and partly in unsecured loan stock.

The transaction represents RHM's third purchase since it announced its innovatory brand valuation in late-November. The valuation, the first such comprehensive move by a UK company, had the effect of adding £678m to RHM's 1988 balance sheet and approximately trebling shareholders' funds.

Since then, RHM has acquired a fruit juice business for £10.5m and Nabisco's UK breakfast cereals interests for £80m.

Overseal, based near Burton-on-Trent, started out as a yeast-processing business. It has since developed a range of natural colours for the food and drink industries and now claims to be the leading UK producer of natural colours.

According to RHM, the entire food colourings market in the UK is worth about £30m, of which natural food colourings account for about £7.5m. Overseal has total annual sales of £5.5m, of which £4.3m comes from natural food colourings.

Havelock Europa down to £1.4m

Havelock Europa, store designer and shopfitter, suffered a downturn in pre-tax profits in the half-year to October 21.

On turnover increased from £17.02m to £21.35m, profits fell from £1.72m to £1.39m. Interest payable rose from £16,000 to £114,000.

The directors said that the results were disappointing, but that it was too early to anticipate the outcome for the full year. However, they added that the level of enquiries remained encouraging.

Earnings dropped to 5.62p (9.16p) per 10p share. The interim dividend is 2.6p. Extraordinary debits increased to £123,000 (£82,000).

Expansion in US sparks growth of 89% at FKB

WITH FIRST-TIME contributions from four US acquisitions, the FKB Group pushed up pre-tax profits by 89 per cent in the six months to September 30.

Turnover of this sales promotion-led marketing services group advanced 87 per cent to £23.5m (£12.58m), while taxable profits worked through at £2.87m (£1.36m).

Mr Alfred Singer, chairman, said that with further first-time contributions expected from the recent acquisitions in the UK and US, the outlook was for another record year. Further acquisition opportunities were being examined.

The four initial US acquisitions were well integrated into the group and recently recorded impressive new business wins, Mr Singer said.

In the UK the main sales promotion business continued to prosper, with substantial increases in business from existing clients and significant business from new clients.

Earnings for the half year were 8.45p (6.43p) per 5p share and the interim dividend is again 2p – but on rights-increased capital – and will cost £417,000 (£237,000).

NEWS DIGEST

EXPEDIER LEISURE

Expansion through acquisitions

Expedier Leisure, sailboard and sportswear maker, is buying three leisure based businesses and a property company, in an effort to broaden the company's base. To finance the deals, the company is making an offer offer to shareholders at 98p per share to raise £5m.

Expedier is paying £1.3m for limousine hirer, Lime Grove, and £100,000 for Vantage, a sports promotion company. It has also bought CCI, a manufacturer of clays for clay pigeon shooting for £2m in shares and has bought an 11 per cent stake in KCP, a Gibraltar registered property development company for £675,000 in cash.

JOHN TAMS GROUP

Interim profits rise 10%

John Tams Group, ceramic mug and tableware maker which joined the USM in June, announced a 10 per cent rise in pre-tax profits for the six months to September 30.

On turnover ahead from £4.75m to £5.05m the taxable result came out at £845,000 against £765,000 previously. An interim dividend of 1.2p is being paid. Earnings, after tax of £242,000 (£262,000), rose to 2.85p (2.51p) per 10p share.

JAMES WILKES

Subsidiary sold for £6.04m

James Wilkes, Sheffield-based maker of beer mats and box-making machinery, is to sell about a third of the Stubs group of companies for £6.04m in cash, nearly as much as it paid for the whole group two weeks ago.

Wilkes is selling Stubs Welding, a distributor of welding products, to Forestmen, a subsidiary of UTP, a Swiss industrial group, which will also assume the subsidiary's bank borrowings of £550,000.

MUNTON BROTHERS

Size doubles with acquisition

Munton Brothers, the troubled Northern Ireland-based clothing company rescued from the receivers last year, is doubling in size by buying the Aitch fashion group in a deal worth up to £11.75m.

Munton is to pay £2.75m in cash and shares for Aitch and plans to raise £2.2m by issuing 11m shares at 25p each in a one-for-two rights issue. The rest of the deal will be composed of performance related payments. On completion the group will be renamed Aitch Holdings.

HARVEY&THOMPSON

Acquisition and name change

Harvey & Thompson, pawnbroking, debt collecting, credit assessment and hire purchase group, is to acquire trade finance house, Anchor Confirming & Finance. It will then change its name to Harvey & Thompson Trade Finance.

The purchase will be made through a convertible share issue. The shares will have a maximum value of £6m, but their value will depend on predetermined profit targets being met over three 12-month periods until 1992.

The deal has to be approved by Harvey & Thompson shareholders.

TEX HOLDINGS

Profits advance to £659,000

Boosted by the buoyancy of the civil engineering industry, Tex Holdings, with other interests in abrasives, plastics, boards and panels, saw first-half profits rise from £452,000 to £659,000 pre-tax.

Group turnover pushed ahead from £4.58m to £7.07m. Earnings per 10p share worked through at 9.1p (6.4p) and, to reflect continuing favourable prospects for the second half, the interim dividend is being lifted to 2.5p (1.75p).

GIBBON LYONS

Pre-tax profits advance 26%

Taxable profits of Gibbon Lyons Group, USM-quoted printing ink manufacturer, advanced 26 per cent from £384,000 to £482,000 in the half year to September 30.

Turnover rose to £6.32m (£4.55m). Results from E T Marler, screen printing ink maker, were included for one month.

Stated earnings per 10p share rose to 6p (5.2p). The interim dividend is raised to 1.7p (1.5p).

HICKING PENTECOST

Profits almost doubled

Hicking Pentecost, knitwear manufacturer and dyer, lifted pre-tax profits 93 per cent to £415,000 in the six months to the end of September.

The advance from £215,000 came from turnover 26 per cent ahead at £10.46m (£8.33m). In the full year to March, the group reported profits of £989,600.

Earnings per 50p stock unit rose to 6.33p (3.37p) and an interim dividend of 0.5p is declared (nil).

ELGA GROUP

Return to black with £146,000

The Elga Group of water purification equipment makers is back in profit, making £146,000 pre-tax for the half year ended September 30 1988.

This compares with £201,000 last time and the interim dividend is being cut from 0.7p to 0.4p. Earnings per 5p share dropped from 1.25p to 0.94p.

Turnover was £5.47m compared with £5.93m. The group finished with a loss of £641,000 last year.

CHANCERY

Pays £0.5m for Mark Kaye

Chancery, a merchant banking and financial services group, has agreed to buy Mark Kaye Finance for £503,257, funded by the issue of new redeemable preference shares and ordinary shares.

UK COMPANY NEWS

Gold Greenlees grows to £2.46m

By Andrew Hill

PRE-TAX PROFITS at Gold Greenlees Trott, advertising and marketing services group, increased by 65 per cent to £2.46m in the half-year to October 31, compared with £1.49m in the equivalent period.

The bulk of profits and turnover – up from £26.57m to £33.28m – came from Gold Greenlees Trott Advertising, backed up by Option One, sales promotion and direct marketing subsidiary.

Billings, which included capitalised income from advertising and net sales from non-advertising activities, rose 44 per cent to £39.56m (£27.4m).

Earnings increased to 15.66p (10.35p) per share. The interim dividend is doubled to 3p (1.5p) to reduce disparity.

GGT's advertising work includes campaigns for the Government's employment training scheme, Cadbury confectionery, Holsten Pils, Mazda and the Daily Mirror. The company also handles corporate advertising for Pearson, which owns the Financial Times.

In October, GGT bought BDH Communications, the largest UK advertising and marketing services group outside London, for a maximum £14.2m.

BDH was only included for four days of the results reported yesterday, but Mr Matthew Allen, GGT finance director, said he expected BDH would contribute about £1.3m before interest on an annualised basis, making it the second largest contributor to profits after GGT Advertising.

Mr Allen said GGT was still keen to add a design consultancy and strengthen its consumer product PR operation, and might expand further in the US, where the group already owns Babbit & Reiman, a small Atlanta agency.

"In the UK, we are now fairly comfortable with the shape of the group. Most of the key areas in which we want to be involved are covered," he said.

● **COMMENT**

GGT continues to look good in a depressed agencies sector. Although GGT's style is muted, the group has not stinted on acquisitions recently. Over the last 18 months it has added BDH, RM Communications – the audio-visual communications subsidiary – Option One, Babbit & Reiman and 30 per cent of Coba, a strategic consultancy, while the core advertising agency continues to carry the whole group's reputation forward. The market crash probably delayed realisation of GGT's US ambitions, forcing the group to concentrate on developing the UK business. Other more precipitate agencies, with greater exposure to the US look a less reliable bet, and yesterday some analysts upgraded their forecasts for GGT to as much as £4.8m before tax in the full year. The shares slipped 2p to 251p but look a reasonable medium term buy on a prospective p/e of nearly 9, especially if the sector creeps back into favour.

VSEL chairman warns on profits

By Lynton McLain

Lord Chalfont, chairman of VSEL Consortium, Trident nuclear submarine builder, warned shareholders at the annual meeting at Barrow in Furness that this summer's strike was bound to affect the company's future financial results.

The company had a 17.3 per cent rise in pre-tax profit to £17.6m on turnover of £429.6m in the year to the end of March.

Lord Chalfont said the strike put back the Trident programme by three months, though VSEL expected to make up the lost time over the remaining years of the contract.

Analysts at McCaughan Dyson Capel Cure downgraded its forecast pre-tax profits by £6m to £15m for 1988-89 and by £2m to £23m for 1989-90, as a result of the strike.

VSEL Consortium had a £2bn order book of two Trident, three Trafalgar and four Upholder submarines. Lord Chalfont told shareholders this was "a major springboard to launch into new areas". These include development of the VSEL armaments activities.

The company had bid for the £180m-£200m Ministry of Defence contract for self-propelled howitzer guns to replace the British army Abbot guns. VSEL had proposed its AS90 gun in competition with the US M109 gun from the BMY Corporation. A decision was expected to be made in the spring or early summer.

BAT clears last Farmers fence as Oregon withdraws its veto

By Nick Bunker

BAT INDUSTRIES, tobacco-based multinational, has cleared the last regulatory hurdle to its $5.2bn (£2.8bn) bid for Farmers Group, US insurer, by obtaining approval for the deal from insurance regulators in Oregon.

Mr Theodore Kulongoski, Oregon's insurance commissioner, was the ninth state insurance watchdog to give the go-ahead to the acquisition. BAT said the takeover now only needed to be approved by a special Farmers shareholders' meeting, due to take place in Los Angeles tomorrow.

Oregon's ruling reversed its July 14 denial of permission for BAT to buy Farmers. Oregon initially vetoed the proposed takeover mainly on the grounds that BAT had no positive commercial contribution to make to developing the insurer and would have to make large and potentially risky changes to it in order to earn an adequate return on its investment.

In a related development yesterday, Moody's Investors Services, US credit rating agency, downgraded the ratings on the senior debt of BAT Industries from A-1 to Aa-3 to reflect the impact of the acquisition.

The rating agency said it viewed the acquisition of Farmers positively, given the company's dominant market position in car and home-owners' insurance in several states and its consistent record of profitability.

But Moody's said the recent passage of California's Proposition 103, which mandates 20 per cent rate cuts on many property and casualty insurance lines, may limit the growth of net premiums and management fees in the state, which is the primary market of Farmers.

Courtaulds in £8.8m New Zealand paint buy

By Ian Hamilton Fazey, Northern Correspondent

COURTAULDS' International Paint subsidiary is expanding in Australasia through the purchase of Epiglass Paints from Steel & Tube Holdings of New Zealand for about £8.8m (NZ$25m), subject to approval by the New Zealand government.

Although the acquisition is small – Epiglass turns over about £14m (NZ$40m) – its significance is that it will help IP consolidate its Australasian market leadership in marine paints.

The move reflects continuing rationalisation of the world's paint markets. For about five years the industry's major players have been striving for global domination in high technology specialist niches.

IP is the world's 10th largest paintmaker but is pre-eminent in markets for marine and protective coatings used in hostile, corrosive environments.

Epiglass has strong brand positions in yacht and ship paints. However, the takeover will also consolidate IP's general position in Australasian markets, where it is now clearly emerging in second place behind ICI.

IP is buying Epiglass directly from the UK and not using Taubmans, the paint company through which it already operates in Australia and New Zealand and in which Courtaulds has a 56 per cent holding. Courtaulds is presently making an agreed bid for the other 44 per cent on a basis that values Taubmans at £43.3m (A$91.9m).

Epiglass employs 280 people, all but 90 of them in New Zealand, where it sells 70 per cent of its paint. The rest of its market is in Australia, and Courtaulds will almost certainly expect a wholly-owned Taubmans to run all operations.

IP's global sales were £285m at last March's year-end. Its policy has been to concentrate on coatings needing a worldwide, consistent supply and service back-up, and where the technological complexity of the coating gives a competitive edge.

It is also strong in the market niches for painting cans, steel and aluminium coils and industrial products coated with new paints that come in powder form and melt onto the surfaces they cover.

It is strong in powder coatings in South Korea and can coatings in Singapore. It also has a 12-year-old marketing and technology agreement in Japan with Nippon, another of the world's top 10 paintmakers. A strengthened Australasian base is likely to signal longer-term expansion plans in the Asia-Pacific region.

Lewmar helps Ben Priest double to £3.28m midway

By Richard Tomkins, Midlands Correspondent

BENJAMIN PRIEST, West Midlands-based engineering group, more than doubled pre-tax profits from £1.5m to £3.28m in the six months to September 30, helped by last year's acquisition of Lewmar, USM-quoted yachting equipment maker.

Mr David Abel Smith, Priest's managing director, said that Lewmar, bought last September for £24m in shares, had made a maiden first-half contribution greater than the £1.1m of last year's second half.

But the existing businesses had also performed well, Mr Smith said. Engineering components, materials and minerals and engineering services all made useful improvements and there had been no signs of any fall-off in orders in this year's second half.

Turnover rose from £27.8m to £43.5m but a sharp rise in the tax charge from 22 to 27 per cent checked earnings per share growth at 20 per cent, from 0.99p to 1.19p. The interim dividend is raised from 0.2p to 0.3p.

Mr Smith said the interim tax charge reflected the likely full-year figure and indicated that next year would see the end of the group's tax "holiday".

He added that a £1.6m capital spending programme was under way at Crossland, manufacturer of pressings and flooring panels, Bissel, the springpin maker, and Express Treatments, the contract heat treatment division.

Meanwhile Lewmar was experiencing buoyant demand from the custom boat market which had shown no signs of any fall-off in demand through rising interest rates. Some 80 per cent of Lewmar's output was exported, said Mr Smith.

Alexander Russell

Alexander Russell, engaged in quarrying, coal recovery and production of concrete products, lifted its interim profit from £1.05m to £1.61m.

Turnover in the six months to September 30 rose to £20.31m (£18.38m). The interim dividend is held at 0.54p.

Milford Bakery bid

Mr Sher Mohammed Rafique is making a cash offer of £2.85 for the outstanding ordinary and 121 for the preference shares in Milford (Donegal) Bakery and Flour Mills.

At the end of October Mr Rafique had acquired 62.5 per cent of the voting capital.

Dewey Warren bids £23m for Argyle Trust

By Ray Bashford

DEWEY WARREN, the USM-quoted shell company in which financial services group Robert Fraser has taken a 29.9 per cent stake, is making a recommended near £23m bid for Argyle Trust.

Mr Colin Emson, the chief executive of the merchant bank and insurance company, Robert Fraser, who will head Dewey Warren, said the Argyle Trust acquisition would be the first step in a plan to establish an integrated financial services group.

Argyle shareholders are being offered 73p cash and 36p in convertible loan stock for each share, which values each share at 107p. For every £1 nominal Argyle convertible loan stock Dewey Warren is offering 63p cash and 41p nominal convertible loan stock.

Argyle, a financial services group led by Mr Nick Oppenheim, has been involved in several abortive takeover discussions, dating back to early last year. Mr Oppenheim expects that Argyle 's pre-tax profits will be at least £3m for the year to December 31.

Mr Emson said the bid was made quickly after the purchase of the Dewey Warren stake from the Bond Corporation, to ensure that Dewey Warren has "an immediate business" and thereby protect its listing.

"I would not like to have bought this stake in Dewey Warren without knowing that we had a solid business to move into," Mr Emson said.

The purchase would also elevate Dewey Warren from the USM to a full listing.

Mr Emson said he expected that Argyle would be able to expand more rapidly under the wing of Dewey Warren and is committed to providing a subordinated loan facility of £15m if the offer is successful.

He also said the company had the intention of pulling Robert Fraser more closely towards the combined group.

The purchase of a portfolio fund management group was also under consideration, which would make the combined group's primarly areas of operation in insurance, merchant banking, and portfolio management.

Dewey Warren's principal assets are cash reserves of £50m and a 5.6 per cent stake in Morgan Grenfell, the merchant banking group which is valued at about £25m.

The disposal of the Morgan Grenfell stake would be an important preliminary step to expansion into other areas.

Mr Emson said yesterday that he was considering all options to achieve a sale and that these could include either a sale of the shares as a parcel or their sale through the market.

However, he stressed that the sale would be made in close consultation with the Morgan Grenfell board. Phoenix Securities, a corporate finance offshoot of Morgan Grenfell advised Argyle Trust on the deal with Dewey Warren.

Bond, headed by the Australian businessman, is understood to have received slightly over 150p a share for its holding valuing Dewey Warren at more than £78m.

German trust faces closure

By Nikki Tait

Shareholders in the German Securities Investment Trust, a small specialist trust advised by Bank in Liechtenstein, have effectively voted to wind up the trust.

When the trust was formed in 1985, provision was made for a annual vote on its continued existence. At yesterday's annual meeting, holders voted against the proposed resolution to release the directors from the obligation to convene an egm to wind up the trust.

This means that an egm will now be convened within two months, and, under the company's articles, all holders will be required to vote in favour of the winding up proposal.

This complex structure is to allow the winding-up to be decided on by a straight majority decision, rather than 75 per cent. The trust currently has assets of around £8m.

Lodge Care sale

Lodge Care, USM-quoted nursing and residential care home operator, is to sell its 12 oldest and smallest properties for £5.8m in cash.

The disposal will almost wipe out Lodge Care's net borrowings of £6.5m, and the interest savings will more than offset the profits which have been contributed by the homes, said Mr Stephen Alexander, chairman.

Each of the eight nursing and four residential care homes being sold to a consortium headed by Mr Mahmood Allibhai has less than 30 beds. In future Lodge Care will buy or build properties with at least 50 beds.

Eliza Tinsley forges ahead

Eliza Tinsley Group, USM-quoted maker of agricultural machinery, reported a 25 per cent increase in pre-tax profits to £566,000 in the half-year to September 30.

This rise was struck on a 21 per cent advance in turnover to £6.55m, and after a raised tax charge of £213,000 (£180,000), earnings were ahead 26 per cent at 4.9p (3.88p) per 5p share. The interim is lifted to 1.8p (1.15p), to reduce disparity.

Mr E R Jeynes, chairman, said that the improvement in trading profits – from £462,000 to £607,000 – was particularly marked at Eliza Tinsley, supplier of chain products, door and gate hardware and fencing accessories, though profits at Griffin, hand tool distributor, and J T Parkes, which makes blades and mower cylinders, also advanced.

Kinta Kellas Invs

Kinta Kellas Investments: Net profits at year-end, £3,421 (loss £128,668). Turnover £2.73m (£3.5m). Earnings 0.05p.

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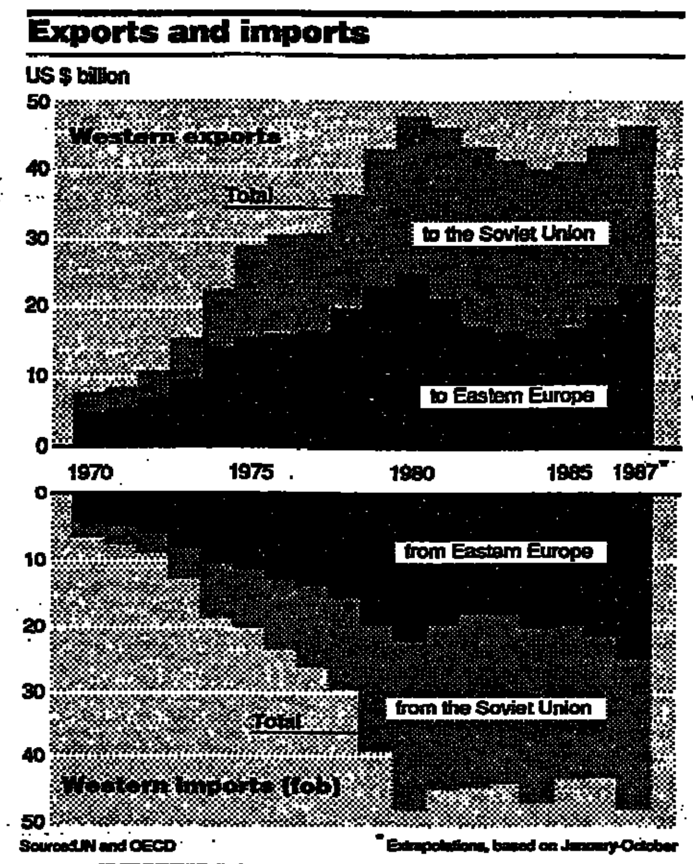
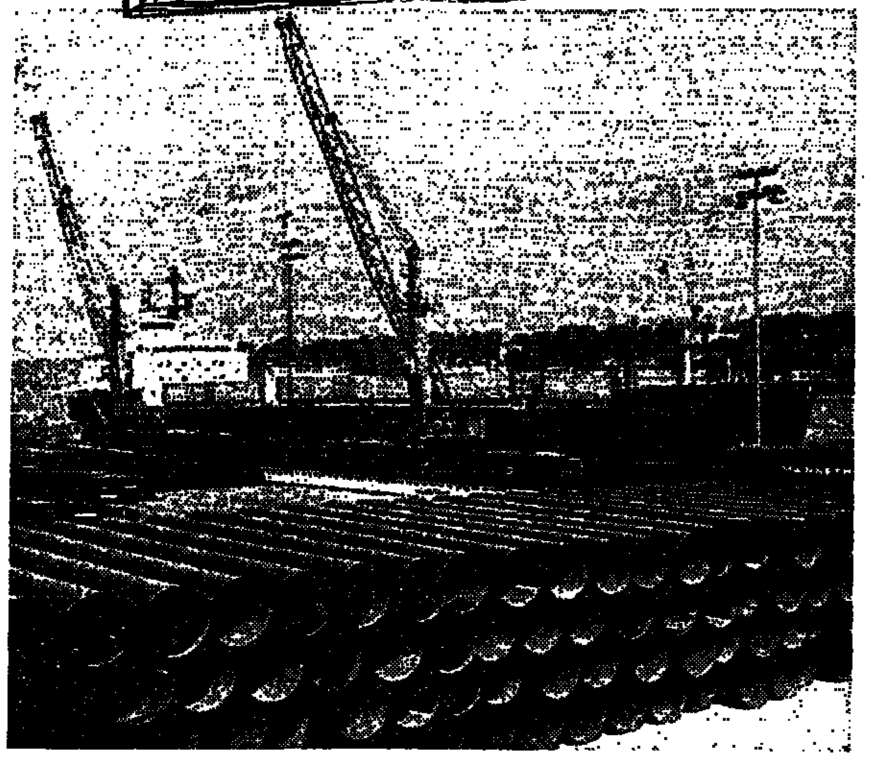
FINANCIAL TIMES SURVEY

The future for East-West trade remains uncertain, as Peter Montagnon, world trade editor, reports here. Obstacles to growth are the constraints caused by the shortage of foreign exchange in Comecon countries and the decline in Soviet terms of trade, due to falling energy prices.





Soviet President Mikhail Gorbachev, right, speaks of "our common European house." The Soviet Union has been on an apparent borrowing spree this autumn, raising trade credit commitments totalling around £10bn. Above: a Russian freighter in Hamburg being loaded with pipeline supplies.

East-West Trade

Tantalising vision

THE AGE of glasnost and perestroika has opened up a tantalising vision for Western companies wishing to do business in the Soviet Union and other countries of the Eastern bloc.

Suddenly, the prospect has appeared of a region that is open for business, keen to invest for economic modernisation, reasonably creditworthy, and willing to lift age-old constraints in order to achieve its goals.

Yet, if these factors have raised hopes for a new golden age in East-West trade, the actual situation as 1988 draws towards a close is that practice still lags a long way behind the theory. Most specialists acknowledge that it will take years, if not decades, for the effect of economic reform to be fully felt in Comecon's economic relations with the outside world.

According to the United Nations Economic Commission for Europe (UNECE), East-West trade has indeed shown signs of expansion this year, but the main upsurge in activity has come from Eastern exports to the West. The future outlook remains uncertain and import growth looks set to remain constrained by shortage of foreign exchange and reluctance of Comecon countries to borrow in international capital markets.

In the first six months of this year Eastern European countries excluding the Soviet Union increased the volume of their exports to the West by 6 per cent, but import growth stagnated. Soviet exports rose by 12 per cent and imports 10 per cent, but this was largely due to higher purchases of US grain and failed fully to offset the steep decline in Soviet imports over the preceding two years.

In the short-run, traders say the main obstacle to further growth in East-West trade is the financial constraint caused by the shortage of foreign exchange in Comecon countries and the decline in Soviet terms of trade as a result of falling energy prices.

Poland and Hungary remain constrained in their borrowing activity by existing debt problems. Elsewhere in the region the memory is still fresh of the economic crisis that overtook Poland in 1981 as a result of profligate borrowing in the 1970s.

Meanwhile, the move towards economic reorganisation and the decentralisation of trading activities has added to the uncertainty facing Western exporters who frequently find themselves unsure of being able to identify real decision-makers.

In Poland, where there are now 700 privately-owned companies, Mr Adam Wojcik, State Secretary for Trade, talks of a 'de facto demonopolisation of foreign trade.' But he acknowledges also that "this mushrooming of new companies is baffling" to Western businessmen.

On the surface, it seems curious that external financial needs should be a handicap. The Soviet Union has been on an apparent borrowing spree this autumn, raising trade credit commitments totalling some $10bn from countries such as West Germany, Italy, the UK and France, and bankers believe it has the capacity to service extra debt.

Though its total indebtedness has been growing, its commercial bank and trade-related credits outstanding still stood at only just over $40bn at the end of last year, according to the Bank for International Settlements. Net debt is substantially lower because the Soviet Union keeps several billion dollars on deposit in Western banks.

Yet few people in the West believe that the Soviet Union is prepared to draw on all its $10bn in new trade credit lines. For many in the West, the Soviet motive for arranging these credits was little more than an attempt to capitalise on offers it could not refuse. At the same time it may have been seeking to win public endorsement from the West for its economic reform programme. This would help mitigate the objections of doubters at home.

Western economic experts who follow Eastern European affairs say the Soviet reluctance to assume large new debt obligations does not mean that the economic reforms themselves are doomed, but they will probably take much longer to bear fruit than would otherwise be the case.

In the meantime the Soviet Union and most other East European countries have tried to fall back on an alternative of establishing joint ventures with Western firms. East Germany may be a major exception to this rule, Western observers believe, because it fears a politically embarrassing inflow of West German capital.

Elsewhere, Western businessmen say they are increasingly being urged to consider the formation of joint ventures as part of their on-going trade relationship.

Seen from the Eastern perspective, joint ventures make a lot of sense. Not only do they open the way for self-financing, export-orientated projects and technology transfer. They also imply the involvement of much-needed Western management, marketing and financial skills.

The need to upgrade even basic accountancy skills is underlined by a decision on the part of two Eastern countries to seek Western help this year. Ernst and Whinney has teamed up with the Soviet Inaudit, and last month Price Waterhouse became the first Western firm to open an office in Budapest, where it was also appointed to advise on the privatisation of Tungsram, the Hungarian lighting company.

In practice, however, joint ventures have been slow to live up to their promise. A study, published earlier this autumn by Dr Livanov, Deputy Chairman of the Soviet Foreign Economic Commission of the Council of Ministers, showed that the Soviet scheme had secured total investments of only Roubles 530m as of July — of which only somewhat more than one-third was foreign. Most existing joint ventures have involve very little capital — Roubles 10m or less — and very few employ sizeable numbers of personnel.

Against this backdrop, it is easy to understand the degree of scepticism in Western business and banking circles which greets the more grandiose announcements such as that last month by a group of Japanese firms for a $5bn joint venture to construct a petrochemical complex in Western Siberia. The companies involved — Mitsubishi, Mitsui and Chioda — said financing and construction still depended on a feasibility study to see whether its sales of polymers and polypropylene would be sufficient to finance the foreign currency part of the construction costs.

Bankers say that the financing of such deals is very complicated because of the new commercial risks involved. Traditionally, borrowings by the Soviet Union have benefitted from a cast-iron central guarantee, but this is now less frequently the case because of the decentralisation of the Soviet economy.

The potential proliferation of joint ventures has raised questions in another area, too — that of technology transfer which is strictly monitored by the Paris-based Co-ordinating Committee on Multilateral export Controls (CoCom).

Despite suggestions from European countries such as West Germany that the 16-member CoCom should respond to glasnost and perestroika by relaxing its strategic export restraints, the US, which dominates CoCom, is adamant that the Soviet relationship with the West will remain hostile so long as it takes no real steps to cut its defence spending.

In a recent interview, Mr Allan Wendt, the State Department official responsible for strategic trade warned that joint ventures would have to be especially carefully scrutinised because they were making available a process rather than a series of one-off product sales.

In the longer run, it may yet be possible that these inhibitions to joint ventures will be overcome. There is also no denying the ambitions of Eastern European countries such as Hungary which is in the process of introducing a complete revision to its company law or of the Soviet Union which has set itself the eventual goals of making its Rouble convertible and joining the General Agreement on Tariffs and Trade, (Gatt).

For the time being, however, a host of problems remain. Some of them, such as the way in which Eastern Europe will be treated by the European Community after the advent of the single market in 1992, are external. But the most serious are internal.

Not only does the Soviet Union have to absorb the political consequences of its reforms in its Baltic states and in Azerbaijan, as well as in its increasingly restive satellites in Eastern Europe. It also has to contend with the effect of falling oil prices which has played havoc with its terms of trade and depressed trade flows within Comecon.

According to Mr Jovo Panajotovic, Yugoslavia's Minister responsible for relations with Comecon, the Soviet Union does not produce the kind of products his country would like to buy as an alternative to oil, and bilateral trade flows have fallen back as a result.

Ideally, the outcome of reform would be to create fresh manufacturing capacity in the Soviet Union, not only in downstream processing of raw materials but also in finished products. This would allow its trade to become more diversified. At the same time, it would be better-equipped to satisfy the increasingly urgent demands for consumer goods from its own people.

Theoretically, Western companies could play a lucrative role in helping this process along, but the best that can be said at the moment is that it will be a while before opportunities emerge on the scale expected by some of the more optimistic supporters of perestroika.

David Buchan in Brussels reports on Comecon-EC trade

Reciprocity is the new buzz-word

THE NEW agreements of Comecon countries, collectively and individually, with the European Community are, in the short term at least, more significant in political than economic terms.

The mere diplomatic recognition of the EC by all European members of Comecon, bar Romania, brings to an end a diplomatic boycott of nearly 30 years. It is clearly inspired by President Gorbachev's political drive to woo western occupants of "our common European house."

But a real upturn in trade between the two halves of Europe will depend on factors outside the EC's control or competence, such as fast implementation of internal Comecon economic reforms, a rise in the Soviet (and world) oil price or major relaxation in western alliance controls on sensitive high-tech exports to the communist East.

Short of any or all of these things happening, EC-Comecon trade will continue to recover from the late-1980s doldrums. EC sales to Comecon rose from $19.8bn in 1986 to $22.1bn in 1987 and purchases increased from $24.6bn to $27.9bn over the same period. But the growth will not match the dynamism of the early to mid-1980s.

The key factor in EC-Soviet trade is the gyrations of the oil price. Its rise enabled the Soviets nearly to double their purchases from the EC between 1981 and 1984, but its subsequent fall meant that by last year Soviet imports from the EC were back to their 1981 level.

Establishment of official relations between the European Community and Comecon, first mooted in the mid-1970s and finally signed and sealed in June 1988, will of itself create virtually no new trade.

The EC insisted, and Comecon finally conceded, that trade should be negotiated bilaterally between the EC and individual Comecon countries. However, economic, environmental and technical information are to be exchanged between the European Commission on Brussels' Rue de La Loi and the Comecon secretariat on Moscow's Kalinin Prospect.

The real action is in the bilateral negotiations. By this autumn the EC had signed deals with Hungary and Czechoslovakia, and was holding exploratory talks with the Soviet Union and more preliminary discussions with Bulgaria, East Germany and Poland.

Only with Romania — ironically, the first Comecon country (in 1980) to make an agreement with the EC, but the only one now not to extend official diplomatic recognition to the Community — is the EC baulking at making any improvement. Because of its internal political record, Romania has in eight years slid from top to bottom in Brussels' eyes.

The basis of all the new agreements will be reciprocity, not just because that is the current trade policy buzzword in Brussels, but because it is also enshrined in the 1975 Helsinki Final Act, to which all EC and Comecon member states subscribed.

On trade regulation, this essentially means the Community enlarging, or (in the case of Hungary) eventually scrapping altogether, the national quotas which individual EC states still impose on East European imports.

But the EC will graduate its concessions. It has already warned other Comecon countries that they cannot expect to get as good a deal as Hungary, which as a reward for political and economic reform, is to see all national import quotas on its goods phased out by 1995 in a combined 10 year trade/co-operation agreement.

Czechoslovkia has already received less favoured treatment in a four-year accord covering only industrial trade. Such less favoured treatment will not, however, bother the Soviet Union too much, as long as the bulk of its exports are primary goods such as oil and gas which enter the EC restriction-free.

In return, the EC wants better and more direct access for its companies to eastern markets and buyers. Specifying this is not easy for countries where tariffs are irrelevant and quotas hidden, except that the EC can be expected to exploit the fact that certain East Europeans (Poland, Romania) committed themselves, on joining the GATT, to raising their imports by a set percentage each year.

However, the break-up of foreign trade monopolies in most of the east, bar Romania and East Germany, should help western companies make more contact with eastern end-users and buyers of their products.

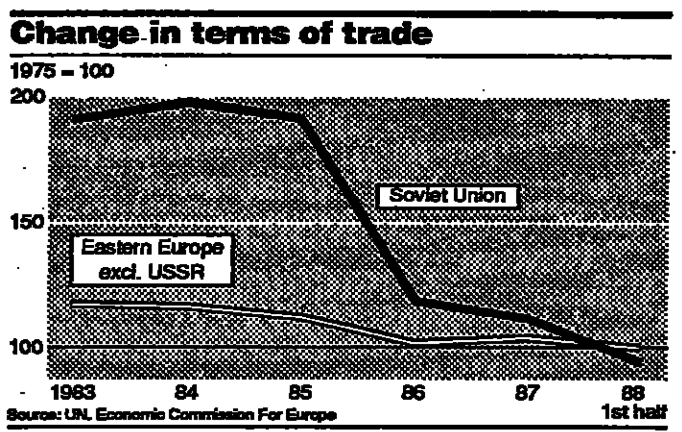
On the issue of co-operation, the one sensitive area is technology. Despite the fact that every EC member state has its own national technology co-operation with even the Soviet Union, many of them hesitate before letting the Brussels Commission run Community-wide co-operation schemes in this area.

By contrast, Comecon countries keenly seek such co-operation, and will undoubtedly try to emulate Hungary which has a 'science' element in its co-operation deal with Brussels.

The EC side can be expected to watch closely that the new agreements do not create new loopholes for third parties, apart from the long standing gap in its commercial fence in the form of free trade between the two Germanies.

There is, for instance,

□ *Continued on page 3*



INCREASE IN TRADE BY VOLUME (%)

■ EASTERN EXPORTS	1984	1985	1986	1987	1988*
Eastern Europe and Soviet Union:	11	−4	10	3	9
Of which					
Eastern Europe:	17	−1	1	-	6
Soviet Union:	6	−7	21	7	12
■ EASTERN IMPORTS					
Eastern Europe and Soviet Union:	3	3	-13	-5	5
Of which					
Eastern Europe:	1	7	−1	2	-
Soviet Union:	5	-	−20	−10	10

* 1st half; source: UN Economic Commission for Europe.

ON OTHER PAGES

SOVIET JOINT VENTURES

Now in high fashion

JOINT VENTURES between Soviet state enterprises and Western capitalist companies are the height of fashion in the Soviet Union today.

They seem to reflect the whole idea of detente, of new-found co-operation between East and West, opening up opportunities for Western entrepreneurs to participate in Mr Mikhail Gorbachev's social revolution of *perestroika*.

Barely a week goes by without another venture being registered – anything from a deal to clean up Moscow city, a school to train Soviet managers in basic management techniques, or a new duty-free shop for Leningrad airport, to name just a few of the latest.

Soviet officials, from ministers downwards, seem to think that such joint operations are a big part of the answer to galvanising the ailing Soviet economy, importing foreign technology and management know-how, and starting to build up a new export base to replace the country's heavy reliance on energy and raw material exports.

Talk to a potential Western partner, and a very different picture emerges.

Companies trading for years with the Soviet Union feel they are being morally blackmailed and brow-beaten into discussing such ventures, against all their better instincts – or threatened with the loss of their market.

Recent visitors to Moscow, looking for straightforward export contracts, or, at worst, some sort of barter deal, find themselves being drawn inexorably into discussions on joint ventures instead.

"It is all back-to-front," according to one would be West European exporter. "Joint ventures should be the culmination of a relationship, the sort of deal you go into after years of getting to know your partner. It is the most complex possible arrangement between two sides, especially with such different economic systems. Yet it is the sort of arrangement the Soviets are proposing as the first deal."

The irony is that Mr Gorbachev's *perestroika*, bringing with it the promise and desire to expand radically Soviet external trade, has brought a flood of potential new Western exporters to Moscow. The have arrived just when the Soviet Union's foreign exchange resources are under great pressure.

Recent years have seen imports from the capitalist West sharply squeezed, following the decline in Soviet oil export earnings, with only a gradual recovery coming from a higher volume of oil exports in the past two years.

So where is the truth about Soviet joint ventures? Can they be a good deal for Western partners? And can they answer the hopes of Soviet economic planners to make a substantial contribution to reform and revival?

Inevitably the answer must be that it is too early to tell. Only in January 1987 did the Soviet legislation come into effect providing for such deals, and though growth has been geometric, very few are yet in operation.

To date, about 130 joint ventures have been registered, the largest number with West German companies, followed by those from Finland, Austria, the US and Italy, as the next most enthusiastic. With no more than 20 in operation, they are as yet having no appreciable effect on either the Soviet economy, or trade figures, or Western exports.

Already, however, the experience has prompted one major reform in the rules, and another is now imminent. It has also shown up the deep cultural divide between Soviet and Western partners over doing business.

The latest changes are expected to ease the rules on ownership and management of joint ventures. Hitherto, the Western partner has been restricted to a maximum 49 per cent ownership, and the Soviet side has insisted that both chairman and chief executive should be Soviet appointees. Now it would appear that Western ownership could be raised above the ideologically significant 50 per cent barrier – 80 per cent is the figure most widely mooted as the new top line – and no limitation placed on putting Western officials in the top jobs.

And yet those are not really the fundamental problems.

At a whole series of international seminars on the subject in recent months, Soviet officials have sought to spell out the potential attractions of this way of doing business with the Soviet Union. They have met a barrage of suspicion and cautious criticism.

The two most basic concerns of Western partners are first, how can they be guaranteed repatriation of profits in hard currency and second, how can they be guaranteed reliable and timely supply of equipment and raw materials within the Soviet system?

Those also happen to be the two most difficult questions for Soviet officials to answer.

Others are more specific. A key issue is auditing: how to agree on common concepts of auditing, most of which do not exist in the Soviet Union. Another is arbitration, especially given the lack of any body of corporate law in the Soviet Union. Taxation, labour laws, social responsibilities within the Soviet system, pricing and application of arbitrary exchange rates, the definition of bankruptcy; these are all potential stumbling blocks.

At the end of a recent major symposium in Helsinki organised by the Paris-based International Chamber of Commerce, Mr Yuri Znamensky, a first deputy chairman of the Soviet State Foreign Economic Commission, expressed his distress at his inability to satisfy the Western participants on the question of repatriating profits.

He said: "I find it embarrassing that we have not been able to clear up as simple a question as this. Up till now, we are not able to answer the question of what the foreign partner does with his profits earned in roubles."

The theory is clearly that joint ventures must provide whatever foreign currency they need for repaying the foreign partner – whether for his technology, his equipment, or simply his dividends – from their own foreign currency earnings.

The problem with joint ventures is that they can earn huge rouble profits on the domestic Soviet market – virtually any product or service they can provide will by definition be in short supply – but they will find it much more difficult to export and earn the necessary hard currency. Quality of products and reliability of supplies are the key factors, and they take time to get right.

"A Western exporter will normally try to obtain the right quality first, and export later," Dr Guido Condrau, senior vice president of Swiss Bank Corporation told the ICC symposium. "In the Soviet Union they try to make it the other way round: export first, and achieve quality later on."

So far, the only joint ventures to have solved the problem are those working in that exclusive pocket of the Soviet economy which operates in foreign currency. A good example is Aerofirst, the Soviet-Irish joint venture, linking the state airline Aeroflot, and the Irish airports authority, Aer Rianta, in running duty-free shops.

All their earnings are by definition in hard currency, and the venture is rapidly expanding. From a start with two shops at Moscow's Sheremetyevo airport, a new one is to open in Leningrad, and another at the Soviet-Finnish border. Now the venture, called Aerofirst, is moving into duty-free shops for returning travellers, as well as those departing.

Many of the joint ventures recently registered are insisting on payment for their services being in hard currency – thus by definition drastically restricting the clientele they can provide, either to the foreign community in the Soviet Union, or to those few enterprises who have foreign currency to spare.

For the time being, it certainly does not look as if the Soviet authorities are willing or able to guarantee profit remittance of rouble earnings in hard currency. They are therefore seeking to encourage more operators to set up consortia, whereby one venture which may generate significant hard currency earnings will cover the foreign exchange needs of others who only earn roubles.

That immediately raises the thorny problem of the rouble exchange rate, for anyone with access to hard currency in the Soviet Union will be unwilling to let it go at the inflated official exchange rate. Mr Znamensky made it clear that it was possible for consortium partners, and joint venture partners, to negotiate their own exchange rate with the Soviet authorities.

Soviet officials find it equally difficult to give firm commitments to joint ventures on their Soviet supplies. The Soviet planning system is currently in a state of flux, as Mr Gorbachev seeks to dismantle the rigid centralised vertical control, and encourage plant-level direct horizontal ties instead.

In reality, however, a joint venture must have some access to centralised sources of supply. That normally means putting in orders two years ahead. Otherwise, some joint ventures find it means back to using foreign currency: the only way of buying cars for a new venture in Estonia in anything less than two years was by paying in hard currency.

As for auditing problems, they show as well as anything the cultural divide. The Soviet state audit company, can do the accounts of a joint venture. Inaudit says its principles are pretty much the same as any international accounting firm.

The problem is that Soviet concepts of depreciation and amortisation are far more leisurely than Western concepts – hence perhaps the old age of most Soviet equipment – and other basic concepts such as profit (Soviet profit tends to be based on pure cash flow), tax losses, inflation and bankruptcy simply do not exist.

Again and again, Soviet officials stress that everything can be negotiated: the rules are very flexible. Western exporters would prefer to know where they are and have a clear body of basic rules before they start.

EXPORT CONTROLS

Key questions raised

"NO AREA of the world needs computers more than a centrally-planned economy. They need them – they don't have them because they can't produce them."

With these words, Dr Paul Freedenberg, a senior US Commerce Department official, expresses quiet satisfaction at the way in which Western restrictions on sale of technology to the Soviet bloc have succeeded in keeping it years behind in the race for strategic technology.

To a greater or lesser degree the basic objectives behind the controls imposed under the auspices of the Co-ordinating Committee on Multilateral Export Controls (CoCom) are shared in all the capitals of its member countries – Nato, plus Japan and minus Iceland. Yet, the advent of the European single market in 1992 and movement towards economic and political reform in the Soviet Union have raised fresh questions about CoCom's future.

CoCom, based in an annexe of the US Embassy in Paris, does not itself operate any strategic controls. It simply acts as a co-ordinating and consultative body for controls which are actually administered by the 16 member governments at national level.

After 1992, when the EC's internal frontiers come down, it will in theory no longer be possible to carry on in this way. Goods will be allowed to move freely within the EC and strategically sensitive material might leave the Community through the country with the weakest control arrangements.

To offset this, CoCom has long been talking about a twin track approach of streamlining its list of restricted products while at the same time tightening up its enforcement procedures. By common consent, however, the process is a slow one and the US, for one, remains dissatisfied at what it sees as continuing laxity among some of its allies.

But the idea of a barrier-free zone within CoCom itself has also now been caught up in the general wave of excitement in Europe about glasnost and perestroika. This has raised new questions about whether there is any longer the same need for controls as in the past.

Businessmen in countries such as Germany are champing at the bit to sell more to the Soviet bloc. While CoCom restrictions on sales to China have been relaxed as the perceived strategic threat has abated, those against the Soviet bloc remain largely unaffected.

Some German businessmen see this as unfair trade policy on the part of the US which dominates CoCom. They say this policy differential has opened the door to US sales of computers to China, while leaving German firms, which are keen to sell machine tools and other capital equipment to the Soviet bloc, labouring under a continuing handicap.

For US officials like Dr Freedenberg, however, the key distinction is that the Soviet Union, which has not taken any steps to cut its conventional defence spending, remains a strategic threat. It would be a mistake to relax restrictions until there is clear evidence of Soviet action to unwind its military build-up.

This argument is likely to rumble on within CoCom for some time to come. Any major policy change has recently been out of the question during the US election campaign and the transition between administrations. It will not be until well into next year before CoCom calls its next high-level political meeting, though by then, positions could have become more entrenched and the argument quite bitter.

In its own specific area of technology transfer, the CoCom arrangements raise a core question of how the West should respond to glasnost and perestroika. Should it encourage the process by making available technology that could be used to modernise Comecon economies? Or should it keep up the pressure for reform by witholding concessions?

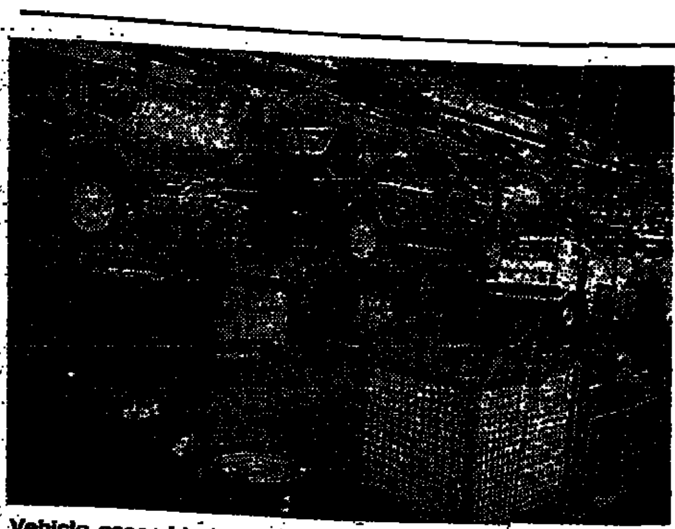
Comecon countries such as East Germany, which earlier this year announced it was preparing to manufacture 1-megabit memories, argue that CoCom has been counter-productive because it has forced them to redouble their efforts to develop their own technology. But this is expensive and a continual additional burden on defence budgets.

By comparison with the policy question of the degree of restrictiveness that is now required, the issue of 1992 looks less important in the long run, though it too will have its difficult side.

Dr Freedenberg believes it will be resolved because EC governments themselves have an interest in maintaining controls. If enforcement measures were unsatisfactory after 1992, controls at a national level would have to stay in place for intra-EC trade. This is something that nobody wants, and one way or another the problem will have to be resolved, he says.

Indeed, the move in this year's US trade bill to simplify export controls on some $20bn worth of US exports to CoCom destinations should be seen as a gesture of good faith in this direction by the US, he adds.

Peter Montagnon



Vehicle assembly in Yugoslavia.

Hungarian wine: a popular export.

Czechoslovak tractors for export.

Coal conveyor in Poland.

Joint ventures elsewhere in Comecon

Reforms may assist foreign investors

SINCE THE early 1970s, joint ventures have been technically allowed in Eastern Europe. Over the years their success has been varied and from the East European point of view at least, it has been a poor showing.

The intention of the legislation in most countries – East Germany has no specific law and it is unlikely that the authorities there will change their minds – is to attract hard currency investment primarily to help boost exports from the region to developed Western countries.

Although there are some good examples of Western companies forming joint ventures in Eastern Europe and being able to export successes, most Western companies would prefer to be able to trade with the Comecon area itself, and in particular the Soviet Union.

Since the East European governments have not allowed this, in part because of the complexities of bilateral Comecon trade which is mostly government-to-government contracts, many Western companies have thought twice about setting up manufacturing and export-orientated industries in the region.

Many Western companies have also complained loud and long about the restrictions on joint venture companies in the area. In some countries their criticisms helped to persuade governments to liberalise joint venture legislation to make it more attractive for the West.

Despite the long history and the many changes however, the number of joint ventures with Western capital remains small and the amount of money invested is also far less than both sides had hoped for by now.

In another attempt to attract this much-needed hard currency investment, two countries in particular – Hungary and Poland – have introduced legislation to make the terms even better for the would-be Western investor. Both countries are also heavily indebted and cannot afford to borrow the hard currency needed for industrial development.

In Hungary, a new Law of Corporate Association provides for the setting up of joint stock companies and 100 per cent foreign ownership of Hungarian companies.

The new law comes into effect on January 1. Foreign investors will find it easier to form a joint venture. Any joint venture with less than 50 per cent foreign participation does not need to apply for a licence, but only has to register. Hungarian officials hope the new law will make the country a more attractive place for foreign investors.

The Polish Government in June this year approved the draft of a new law on foreign investment. Although the draft

Many Western countries have complained loud and long about restrictions

is still not final, it is likely that the new legislation will change significantly the situation of both existing and potential joint ventures in the country. The new rules are hoped to be in force by January 1 and will streamline and liberalise existing laws.

Poland's joint venture legislation has always been slightly confusing since there are two sets of laws governing foreign investment. One covers Polonian companies. These are enterprises set up with capital from expatriate Poles. Under the law, which dates back to 1982, about 700 mainly small companies have been set up. The other is the April 1986 joint venture legislation under which any interested Western company can invest.

The success of both of these sets of laws has been patchy. Under the joint venture law, declared investment by western companies is estimated at only $250m.

The Polish Government is hoping that its new law – which will allow Western companies to have majority holding in any joint venture or to establish a wholly Western-owned company, unlike the 1986 law – will attract far more investment capital.

Existing Polonian companies will have the option to be able to stay in business for as long as their permits last – usually 10 to 20 years – or change under the new law.

To improve conditions for Western partners, there will be a lower income tax, with relief if the venture exports. Compulsory resale of hard currency earnings will cover a maximum of 15 per cent, compared to the previous maximum of 25 per cent. The Government will also be able to grant relief down to zero for some companies.

Western companies can chose partners from within the state sector as well as privately-owned enterprises. Importantly, transfer of hard currency dividends will be taxed at a rate of 30 per cent when the western partner decides to shift funds outside Poland. If the money stays in a Polish bank, the tax is suspended.

Two other countries that are hoping to attract more western investment are Bulgaria and Czechoslovakia. Bulgaria has had joint venture legislation in place since 1980, but some changes were made in June 1987 and other modifications may be in the pipeline.

Because of the economic reform in Bulgaria, the rules for joint ventures may need to change. These are likely to affect mainly the import and export of goods by the joint venture. Already the Bulgarians are allowing the duty-free import of machines and equipment brought in by foreign partners as their share in the joint venture.

In Czechoslovakia, a liberal law on foreign investments was passed in November. Under the rule, there is no minimum start-up capital and no upper limit on the Western percentage shares in the joint venture.

A foreign corporate body or a person can hold the shares in a joint venture and the Western partner can be the director of a company and chairman of the board.

Joint ventures can be set up in any sector of the economy, including banking, but excluding those sectors which are 'important for defence and security.' The new law comes into affect on January 1, 1989.

Despite the changes in joint venture legislation taking place or planned, Eastern Europe presents some drawbacks to the Western investor. With both economic and political tensions in the region growing, liberal investment laws may not be enough to attract western money.

Nevertheless, the trend is towards liberalisation. Many Western companies, with an eye on the huge market potential of the Soviet Union, may consider East European investment a good idea.

Margie Lindsay

EAST-WEST TRADE

■ Western trade balances in $m

	1985	1986	1987
Austria	−228	32	188
Belgium-Luxembourg	−574	−473	−787
Denmark	−347	−214	−240
Finland	182	894	309
France	−701	−1395	−973
W.Germany	−488	954	1408
Greece	−370	−197	−313
Ireland	−8	−6	−13
Iceland	−78	−66	−126
Italy	−1919	−1549	−1633
Netherlands	−2021	−705	−783
Norway	−231	−178	−200
Portugal	−2	−17	2
Spain	65	−88	−701
Sweden	−674	−363	87
Switzerland	12	329	769
Turkey	−289	−429	−95
United Kingdom	−399	−389	−634
Yugoslavia	1673	1439	773
■ Western Europe*	−6216	−2113	−3256
Canada	1187	917	607
United States	1194	4	57
■ North America	2381	921	664
Japan	1855	2053	1234
Developed market economies*	−1979	861	−1357

Sources: UN and OECD; *including trade between W.Germany and the German Democratic Republic; data covers reported balances (f.o.b).

Comecon

Continued from page 1

considerable wariness about Japanese implantation in Eastern Europe, with Fiat and Renault open about the fact that their expansion in Comecon is partly to pre-empt the Japanese car companies using the eastern half of Europe as a springboard to the western half.

The East, for its part, shares the common fear that the external facet of the EC's internal market de-regulation will be new forms of protectionism post-1992.

Equally, it wonders whether the many marketing joint ventures that Comecon countries have in the EC will be able to operate in the post-1992 single market as freely as their purely capitalist-owned counterparts.

Greater awareness of the EC's '1992' programme may overcome some of these fears. So far, of the East Europeans, only Hungary – with typical pragmatism – has translated the EC programme into its own language.

A Polish housewife inspects half-empty shelves in a Warsaw supermarket. The Poles face increasing inflation and shortages of consumer goods.

FINANCING TRADE

Banks weigh up the issues

THE NATURAL focus for bankers in Eastern Europe these days is the Soviet Union. The attempts by that country, by far the largest market in the Comecon bloc, to restructure its economy have stirred up businessman and bankers alike.

New trade credits from one country after another in Western Europe have been emblazoned in newspaper headlines across the continent. More than $10bn in credit lines has been put together from countries such as Italy, West Germany, Britain and France.

Yet while the excitement over the overhauling of the economy is undoubtedly warranted in terms of its potential impact, the actuality in terms of new business for most bankers for the foreseeable future is limited. This is for a number of reasons.

Nevertheless, worries do seem to have subsided among bankers that problems with servicing the external borrowing of these countries could trigger a second debt crisis. These worries were always exaggerated in the sense that the net debt of all the countries put together did not exceed that of a Mexico or Brazil.

These countries did undoubtedly suffer a deterioration in the terms of trade in 1986-87 and the weakness of the dollar helped to swell their external debt in dollar terms and worsen debt ratios.

Nevertheless, for all the countries but Poland, with by far the worst debt problem in the region and an interest to exports ratio at the end of last year of 31 per cent, this ratio remained below 20 per cent. For the USSR, the fraction was a mere 5 per cent.

Clearly, the new trade credits imply rapid expansion in the potential financing available to the Soviets, but the consensus of most bankers is that the financings will not be drawn to anything like their full extent.

Many of them believe the prime Soviet motive was to capitalise on offers it could not refuse and seek public endorsement from the West for its economic reform programme to help soften objections from critics at home.

Furthermore, with these credits in its back pocket, its ability to raise finance elsewhere is enhanced.

Indeed, the country's debt managers are eager to raise their profile in the international capital markets. A $250m Eurocommercial paper and certificate of deposit programme for the Vnesheconombank, announced last month and arranged by County NatWest, was evidence not only of efforts to lower the cost of funds, but also of the growing sophistication of the debt strategists.

However, what seems to be generating a great deal of practical interest among bankers are the apparently growing prospects for joint venture financing, particularly in the Soviet Union.

Bankers extending this sort of financing fall into two main categories. On the one hand, there are those willing to lend after consideration of the business and political risks associated with the project (even if they consider these appropriate, they will usually look for some guarantee from the western partner).

On the other are those who believe that the early joint ventures at least are effectively quasi-sovereign risk in that they are of such symbolic significance that they will not be allowed to fail.

Whether this latter view is misguided remains to be seen. There are those who believe that an early failure would show that the Soviets mean business when they say the financing is non-recourse.

Such financings raise a number of interesting and important questions for bankers.

One of the most basic, according to Mr John Howell, director of the East European division at Ernst and Whinney, is the meaning of an equity stake in a Soviet concern. Equity is "more symbolic than real" and no guide to profitability. However, it does under Soviet rules limit the amount a venture is able to borrow, although there is evidence the allowed debt-to-equity ratios are being relaxed in some circumstances.

There are also questions which arise out of an under-developed system of commercial law.

Is the Soviet commercial code is equipped to deal with claims in the event of late payments of interest or principal and bankruptcy?

What about the valuation of assets such as land, which cannot be owned by foreigners, or the concept of goodwill?

It seems likely though that whatever else happens in the next year or so, European banks will not have much competition from their US counterparts in the business.

For the most part, US banks view themselves as restricted in what they can do to support the Soviet Union. They have seen successive US administrations use their control over US banks as an extension of foreign policy in the freezing of assets belonging to Iran and Libya. They also hear the claims in Washington that Western credit merely takes away the foreign exchange constraints on Moscow, allowing the Soviets to expand military spending.

Stephen Fidler

Issues over rouble convertibility and the General Agreement on Tariffs and Trade (GATT)

Soviet Union faces a difficult process

IN PRINCIPLE, the Soviet leadership under Mr Mikhail Gorbachev is determined to expand the foreign trade relations of the country radically by the end of the century.

In practice, years of operating as an enclave economy with a rigid state foreign trade monopoly, dedicated to maximum self-sufficiency in all sectors, with a non-convertible currency, and an inbred hostility to foreign technology, have left enormous practical and bureaucratic barriers to such an ambition.

Realists among Soviet officials admit that the programme of re-integration in the world economy will have to last at least until the year 2000 — and the key element will be the eventual move to a fully convertible rouble.

They are quite open about the desire of the Soviet Union to join the international trade and financial organisations, but that, too, is tempered by caution.

Professor Ivan Ivanov, first deputy chairman of the State Foreign Economic Commission, says Moscow would like to join the General Agreement on Tariffs and Trade (Gatt) in the first place. However, he doubts that any application would be made for at least two years, and that thereafter the negotiating process to take in such a large state-trading economy would take five years.

Before then, he admits, the Soviet Union would have to overhaul its customs tariff structure — a process which has begun, but only very tentatively. But far more important, the whole process of liberalising external trade is inextricably linked to the process of internal economic reform — above all, price reform.

If the rouble were to be made convertible tomorrow, it would have to be drastically devalued to enable any Soviet goods to compete on the world market — and to prevent a huge inrush of foreign exports. Even then, the pricing system in the Soviet Union is so radically out of line with international prices, that such a move would cause internal chaos.

Moreover, the Soviet economy is simply not in condition to switch to exporting, because the manufactured goods are not available, let alone not of good enough quality to compete.

Professor Ivanov sees the process as coming in clear phases:

□ First has to come domestic price reform, an exercise already generating great political heat. Mr Gorbachev has promised it will be done without affecting standards of living. Few believe that will be possible, given years of massive subsidies from the state budget for foodstuffs and other essentials.

□ The second step would be the creation of a proper export base, with industries capable of competing in the world market. That process has begun with the encouragement of joint ventures with Western companies, and with allowing Soviet enterprises to compete directly on the world market now, and thereby earn foreign currency which they will be allowed to use directly to import necessary equipment.

□ A third step would be the introduction of a convertible rouble within Comecon, the Soviet-dominated organisation of Socialist states. But already other Comecon members are showing considerable resistance to the process, not least because of the large excess of roubles they have already accumulated, because of the Soviet inability to provide adequate manufactured exports.

The other Comecon states such as East Germany, Hungary and Czechoslovakia, are loath to be dragged further into integration with the Soviet economy, just when they are looking to expand their trade ties westwards with the European Community and other Western partners.

Only after those steps have been accomplished would the introduction of a fully convertible rouble be possible, Professor Ivanov and others admit.

In the meantime, the prospects of introducing some controlled, or limited degree of convertibility, in economic enclaves, seems to be the most popular half-way stage. Islands of convertibility would be established around the main Soviet economy.

One form would be in special economic zones to be established in regions like East Asia, the Black Sea, and the Baltic republics. The first is being set up now on the Finnish border.

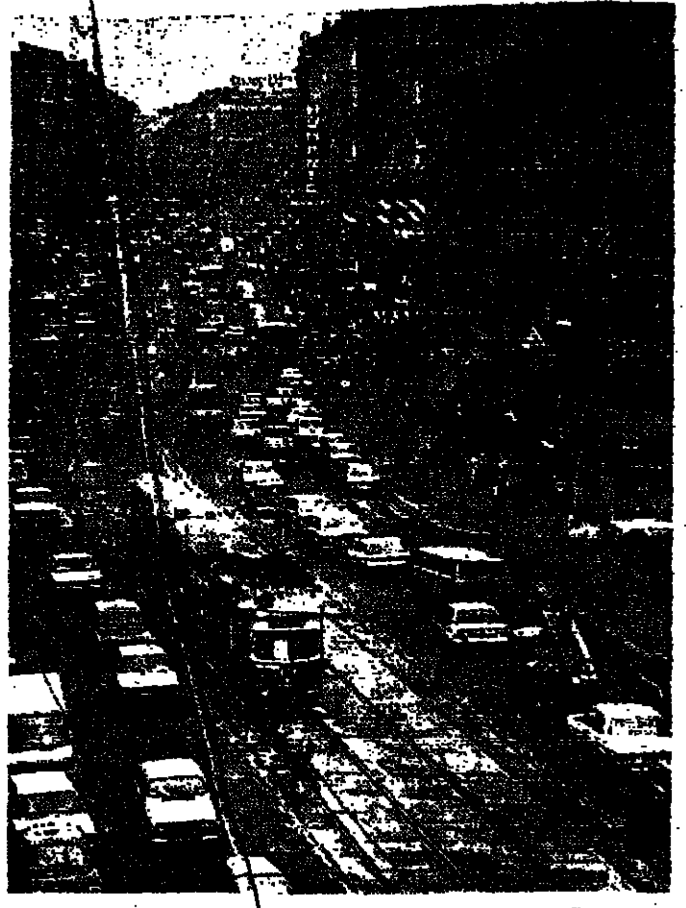
A similar concept would apply to consortia of joint ventures, along the lines of the American Trade Consortium already being set up. In this, one major foreign currency earner — in the case of the ATC it is the Chevron oil company — would generate enough foreign currency to supply the needs of the other consortium members as well.

The most difficult point to be agreed will be the exchange rate of the rouble, grossly over-valued at its present rate of Rs1.1 to £1. A more accurate rate would probably be one third of the present level — although on the black market in Moscow, roubles exchange at anything up to Rs8 or Rs10 to £1.

Another proposal floated by Soviet economists to ease the transition would be to introduce internal foreign currency auctions, to transfer available hard currency from those enterprises with a surplus, to those with a deficit, at a rate to be freely fixed in the auction. This, the economists argue, would at least give the authorities some better indication of the true rouble value.

Which ever route is chosen, there is no doubt that the process will be long and difficult, to overcome years of development of the economy behind the effective barrier of a state trade monopoly.

Quentin Peel
Moscow



Vienna, above, has been called 'the gateway of East-West trade.' For Western exporters, new doors could be opened as the restructuring economies of Eastern Europe - mainly the Soviet Union - maintain judicious import posture while seeking to boost foreign sales

EAST-WEST COUNTERTRADE

Entering new era of complexity

EAST-WEST countertrade, a fundamental feature of commercial ties between the two Blocs since the Second World War, appears to be entering a new era of complexity and sophistication.

For Western exporters and trading houses that does not mean reduced opportunities; on the contrary, for those willing to be innovative, new doors could be opened as the restructuring economies of Eastern Europe, principally the Soviet Union, maintain a judicious import posture, while, co-incidentally, seeking to boost foreign sales.

Some regard the near-term outlook for Eastern Bloc import demand as inauspicious. Debt burdens generally and, in the case of the Soviet Union, a possible unwillingness to fully draw down some $10bn in recently negotiated credits, are cited as possible *drags on Eastern Bloc imports* in a recent United Nations Economic Commission for Europe bulletin.

Hence the possibility of an increasing number of self-financing East-West trade deals — a trend which Mr Alan Linger, Lloyds Bank countertrade manager says, has become increasingly apparent in recent months.

Countertrade comes in various guises. Traditionally, in an East-West trading context counterpurchase, (parallel purchases and sales) has tended to predominate. However, there has now been a shift in two distinct directions; firstly towards more closely linked countertrade deals with one leg of the deal specifically financing the other, perhaps via an escrow account; and secondly the greater occurrence of buyback.

The latter involves the purchase by the western exporter of products directly from a plant which the exporter is supplying, helping to manage or, indeed, in which it has an equity stake.

Mr Linger also suspects greater triangular business between East and West and developing countries is set to emerge, although there is little evidence, as yet, to suggest it represents a distinctive new trend.

Countertrade, such as the recent Angolan coffee for Soviet equipment deal, is the foundation stone of business between the Eastern Bloc and developing countries. Mr Linger believes such business could become increasingly integrated into East-West countertrade with, for example, Western goods being exported to East Europe, the latter's products to the Third World and raw commodities or other products being shipped to the West to complete the triangle.

The self-funding linkage between export and import contracts is well illustrated by an arrangement struck between Rank Xerox and Bulgaria involving the delivery of photocopier kits for a variety of Bulgarian products. Such is the closeness of the linkage that the arrangement provides for a Bulgarian bank guarantee. In other words, if the goods are not available when required or the quality is not the designated standard, then the guarantee can, under certain conditions, be called for cash payment.

Countertrade comes in various guises, but *traditionally parellel* purchases and sales have predominated. Now a shift of operation is evident.

Mr Ralph Land, head of Rank Xerox's eastern European division, sees dealing with eastern Europe's generally devolving banking structure as an important factor in future East-West countertrade business.

Moreover, the enhanced participation of banks with devolved powers could also help address the age-old twin problems of product quality and delivery reliability. This is because in providing guarantees, the banks are taking a stern interest in the product's production lines in case they have to stump up foreign exchange in the event of quality or delivery hiccups.

Meanwhile, the trend towards *buyback* operations is underlined by an arrangement currently under negotiation between Satcim, a UK joint venture between Satra, the international traders, CIM International, the agri-product traders and project developers, and the Soviet Union.

As the arrangement is currently emerging, Satra, a big-league trader with the Soviet Union, is putting computers into the country and CIM takes out product in its field of expertise, including fruit juice and various vegetables, which it markets, generating hard currency for Satra and its own trading margin.

However, earlier this month, Mr Paul Wright, CIM managing director, additionally visited Moscow to further plans for SATCIM to help manage Soviet agri-product production in four separate locations. This could involve CIM designing and managing new plant via *SATCIM and indeed the latter* possibly taking an equity stake or stakes in the operations involved under the terms of the Soviet Union's new joint venture law.

Regardless of this, CIM's management and design expertise would be funded by product buyback from the plants with which the SATCIM is involved.

The advantage of this arrangement for the Western partners is that Satra and CIM are receiving products which they know to be of marketable quality in the West by virtue of CIM guiding product quality and choice.

However, these new trends aside, most companies dealing with the Eastern Bloc would prefer to be without the complexities and additional costs it can engender.

This corporate view was vented through political channels this Autumn when the EEC signed a wide-ranging trade co-operation agreement with Hungary partly geared to Budapest removing a range of restrictive commercial practices, including the enforced use of barter.

Alan Spence

The writer is editor of International Trade Finance, a bi-monthly report published by Financial Times Business Information.

NEW BUSINESS GUIDE

USEFUL ADDRESSES and lists of products likely to be welcomed by Soviet customers has been published by Ernst & Whinney, the accountancy and consultancy group, in a 70-page booklet called "Doing Business in the USSR."

The company this year sponsored what is claimed to be the first commercial conference in Moscow on East-West trade, attended by 250 Soviet managers who each paid a fee equivalent to an average month's salary to participate. Moscow City Council has commissioned the company to seek suitable Western companies for joint venture development.

□ *For details, telephone 01.928 2000.*

Mr Michael Boyd, partner in charge, Eastern European division, Ernst & Whinney: 'Perestroika's impact is being felt all over the West.'

Mr John Howell, director, Eastern European division of Ernst & Whinney.

FT LAW REPORTS

Shop fronts and tiles are not plant

WIMPEY INTERNATIONAL LTD v WARLAND ASSOCIATED RESTAURANTS LTD v WARLAND

Court of Appeal (Lord Justice Fox, Lord Justice Lloyd and Lord Justice Glidewell): December 2 1988

FIXTURES which function as part of business premises without retaining a separate identity are not "plant" for the purpose of capital allowance against tax.

The Court of Appeal so held when dismissing appeals by Wimpey International Ltd and Associated Restaurants Ltd from decisions by the Inland Revenue Commissioners that they were not entitled to capital allowances for expenditure on certain fixtures provided for the purposes of their trade.

LORD JUSTICE FOX said that Wimpey owned and franchised restaurants. Associated Restaurants owned restaurants trading under the name *Pizzaland*. They both incurred expenditure on various fixtures added to the structural shells of their restaurants. They included shop fronts, floor and wall tiles, suspended ceilings and ceiling voids, mezzanine and raised floors, balustrades, stairs and accessory work, light fittings, trap-door and ladder, Artex on walls, flooring and other tiles, fire doors and fire proofing of walls, and other wall finishes.

Section 41(1)(a) of the Finance Act 1971 granted allowances for expenditure incurred by a person carrying on a trade "on the provision of machinery or plant for the purposes of the trade".

The commissioners held that none of the items in question was "plant", except suspended ceilings and voids.

Mr Justice Hoffmann upheld their decision on all items except the light fittings, which he held to be plant.

Wimpey and Associated Restaurants appealed from that decision, except as it applied to the electric light fittings.

The judge approached the matter by reference to the definition of "plant" in *Yarmouth v France (1887) 19 QBD 647,658* as including "whatever apparatus is used by a businessman in carrying on his business . . . all goods and chattels fixed or moveable, which he keeps for permanent employment in his business".

That excluded the premises in or on which the business was carried on.

The judge concluded on the authorities that the question was whether it would be more appropriate to describe the items as part of the premises rather than as having a separate identity. On that basis he held there was no reason to interfere with the commissioners' conclusion that the items in issue were not plant.

In *CIR v Scottish and Newcastle Breweries (1982) 55 TC 252,276* Lord Lowry said that the creation of the right atmosphere was a means to an end in the carrying out of the hotel trade, and that ornaments used to create atmosphere, whether free-standing or fixed, were part of the hotelier's plant.

He said "something which becomes part of the premises instead of merely embellishing them is *not* plant except in the rare case where the premises themselves are plant . . . "

That test was the present law. In the light of the authorities, there was a well-established distinction in general terms between the premises in which the business was carried on and the plant with which the business was carried on.

It was not sufficient to say that something was part of the real property. The test was not whether the item was a fixture. But there might be cases in which the degree of affixation was a matter to be taken into consideration.

Mr Aaronson for the companies said the question was whether the item was merely part of the building or whether it performed some additional function in relation to the business. If it did perform such an additional function, he said, then it was plant even though in ordinary terms it was part of the premises.

It was proper to consider the function of the item in dispute. The question was what did it function as?

If it functioned as part of the premises it was not plant. The fact that the building, by its construction, was particularly well-suited to the business, did not make it plant. Suitability was simply the reason why the business was carried on there. But it remained the place in which the business was carried on, and was not something with which the business was carried on.

It was not the case that only the bare shell of the business premises was outside the definition of plant so that, for example, wall paper and murals were plant. Lord Lowry in *Scottish & Newcastle Breweries* treated them both as part of the premises.

The function of floor tiles was to provide a floor for the premises. As such they were part of the premises. It might be that they were chosen to appeal to prospective customers, but that only meant that they were chosen as an attractive floor instead of a less attractive one. They remained simply the floor of the premises, just as a beautiful building which housed a hotel was simply the premises on which the business was conducted.

The question was whether it would be more appropriate to describe the item as part of the premises rather than as having retained a separate identity.

Items such as fixed floor tiles and shop fronts were more naturally to be regarded as part of the "housing" of the business than as mere embellishments having a separate identity.

The court could only interfere with the commissioners' decision if it was "erroneous in point of law" (see Taxes Management Act 1970 section 56).

Whether something was "plant" for the purposes of section 41(1)(a) of the 1971 Act was a matter of law. There was no precise definition of the word. In most cases it was question of fact and degree.

The court could not substitute its own opinion if the commissioners were properly instructed on the law and could reasonably have concluded as they did. In the present case the Commissioners did not misdirect themselves in law, and the conclusions they reached were open to them.

Mr Justice Hoffmann reached the right conclusion. The appeal should be dismissed.

LORD JUSTICE LLOYD agreeing, said there was no single test as to what was plant, and the court should be especially reluctant to upset the commissioners' decisions in such cases unless it could be shown not only that they had erred in law but also that their error was palpable. It was not enough to show that they had applied the wrong test or that they had not stated the test in the most precise language, or that they had omitted some factor which they ought to have taken into account. Where judges had failed to find a universal test the commissioners were not to have their language examined too closely or dissected line by line.

Mr Aaronson submitted that the critical question was whether the item served only to house the taxpayer's business activity, or whether it served some other additional business function. He called it the functional test.

One's first impression was that that was the test applied. Mr Aaronson made no criticism of the commissioners' decision until they said that none of the shop fronts qualified as plant in that "their principal function is to form a necessary part of the premises". Mr Aaronson argued that the inclusion of "principal" showed that they misunderstood or misapplied the functional test. He said the question was not as to *principal* function, but as to *sole* function.

It was not correct to subject the commissioners' decision to that sort of linguistic analysis. The case looked at as a whole was replete with references to the functional test in its strictest form. Whether an item had become part of the premises rather than having retained a separate identity was a question of fact and degree.

LORD JUSTICE GLIDEWELL also agreeing said that the authorities showed that for the purposes of section 41 items which had been held to be plant fell into three broad categories: (i) mechanical or electrical equipment; (ii) large structures containing mechanical or electrical equipment; (iii) items which decorated, furnished or otherwise embellished the interior of premises used for the purposes of trade.

Most of the items in dispute fell into the third category, a few into the first.

The commissioners applied a test which in substance if not in precise wording, was the functional test. Having adopted that test it was clear they intended to apply it to each of the items in dispute.

It was wrong to subject the words they used to detailed scrutiny. They applied the correct test. They made decisions of fact and degree with which the court could not interfere, but which in any case were eminently sensible. The appeals were dismissed.

For the taxpayers: Graham Aaronson QC (Slaughter and May)

For the Revenue: Alan Moses (Inland Revenue solicitor)

Rachel Davies
Barrister

COMMODITIES AND AGRICULTURE

Portuguese mine to instal $60m tin recovery plant

By Kenneth Gooding, Mining Correspondent

SOMINCOR, the state-owned Portuguese company in which the RTZ Corporation of the UK has a 49 per cent interest, is to spend US$60m (about £33m) at its Neves-Corvo copper mine to instal a tin recovery plant capable of producing about 5,000 tonnes a year.

The decision "makes the outlook for the higher-cost tin producers look worse than ever," according to Mr Peter Kettle, an analyst with the Commodities Research Unit in London.

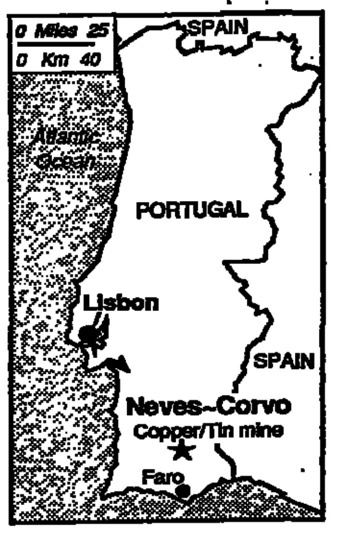
RTZ said yesterday it was too early to estimate the production costs but Mr Kettle suggested they would be very low compared with other producers.

World-wide tin production costs had been cut by between 20 per cent and 40 per cent in the past two years, according to CRU's calculations.

Much new output was coming from Brazil, which could produce about 40,000 tonnes a year at an average cost of about £3,000 a tonne whereas some of the Malaysian mines which had closed down had costs four or five times that level.

Tin production from Neves Corvo is due to begin early in 1990 and to be at full capacity by mid-1991. Mr Kettle said world tin output this year already had returned to the level of 1985, before the collapse of prices when the International Tin Council ran out of cash to support the market.

He pointed out that, not only would the Neves-Corvo tin have the benefit of being a by-product of the copper mining, but the mine had one of the highest grades in the world — each of the 2.8m tonnes in the tin ore reserves has an average grade of 2.6 per cent. In comparison, the biggest underground tin mine in the world, owned by Renison in Australia, has an average grade of 1 per cent.



The Neves-Corvo mine, situated in the Alentejo region of southern Portugal, only recently started production having been brought into operation on schedule and within the original 42bn escudo budget (about £160m).

The close proximity of the tin and copper ores allows the same underground infrastructure to be used. The tin ore will be processed through a new 300,000 tonnes a year recovery plant.

The tin project will also give an additional annual output of 20,000 tonnes of copper to take the mine's total to 135,000 tonnes a year with a direct operating cost of about 40 cents a lb — among the lowest in the world.

Current copper ore reserves of 27m tonnes grading 8 per cent copper support a mine life of more than 20 years.

Contracts for about 75 per cent of the planned copper production have already been signed with customers such as Noranda in Canada, a consortium led by Sumitomo Metal in Japan, Norddeutsche Affinerie in West Germany, Outokumpu in Finland and Rio Tinto Minera in Portugal itself.

Half the Neves-Corvo project was financed by the European Investment Bank which put up about 180m Ecus (£120m) while the shareholders put up 20 per cent and Portuguese commercial banks provided the outstanding 20 per cent.

Somincor (Sociedade Mineira de Neves Corvo) is 51 per cent owned by the Portuguese state minerals group, Empresa de Desenvolvimento Mineira (EDM). RTZ bought its 49 per cent stake in 1985 from the French mining companies Penarroya and Coframines for US$80m.

● A working group set up to explore a possible settlement of claims against the International Tin Council will report to ITC governments today ahead of the regular quarterly session in London this week, reports Reuter. This follows discussions initiated by Canada which have taken place outside ITC auspices. But all of the ITC's member states have been involved in the talks except Thailand.

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes

Aluminium standard	−2,375 to 23,300
Aluminium high grade	+10,700 to 131,175
Copper Grade A	−1,925 to 81,725
Lead	+150 to 56,900
Nickel	−498 to 2,136
Zinc	+4,650 to 30,450
Tin	−215 to 4,880
Silver (oz)	+80,000 to 15,294,000

Bougainville details sabotage losses

By Chris Sherwell in Sydney

BOUGAINVILLE Copper, the Papua New Guinea-based subsidiary of CRA, the Australian mining and smelting group, yesterday released details of lost output and damage as a result of the sabotage which led to the mine's enforced shutdown.

The company said loss of production since December 1 was estimated at 13,700 tonnes of copper concentrate containing 4,100 tonnes of copper and 310 kg of gold. Physical damage to company property was put at kina 1.3m (£853,000).

The disruptions on Bougainville Island have had a significant impact on the already tight world copper market. They have also hurt Papua New Guinea's reputation at a time when it is seeking foreign investment to help develop new finds of copper, gold and petroleum.

The CRA mine resumed production on Saturday morning after Mr Rabbie Namaliu, the Prime Minister, wrote the company a letter saying the Government was satisfied that the threat of sabotage had been "significantly reduced, if not eliminated."

This followed discussions between a special ministerial committee and the local landowners' association, a dissident faction of which has been blamed for the recent arson attacks and explosions at the mine and the residential town.

Mine officials said yesterday the atmosphere was less tense than last week and that the security situation had improved. Some 200 policemen are maintaining law and order, compared with a normal contingent of around 70, and soldiers are standing by in case they are needed.

Reports from Port Moresby yesterday said the troops would be deployed to impose a curfew if explosives stolen from the mine were not returned. The explosives were used to blow up power transmission towers to the mine, causing production to cease.

The rebel landowners have been seeking some kina 10bn in compensation for development of the mine since it opened in 1972, arguing that they were excluded by the agreement which allowed it to go ahead. The mine is vitally important to the government because of its export earnings, tax revenues and royalties.

● MIM, the Brisbane-based base metals and gold group, is stepping up its exploration activity in Papua New Guinea, a move which in the current climate is likely to be welcomed by the Port Moresby Government.

Malaysia to fight palm oil smear

Robin Pauley on a $10m plan to challenge health risk claims

WHAT BETTER subject for a smear campaign than oil? Malaysia, the world's largest producer and exporter of palm oil has decided that an international lobbying campaign against its product, mainly by American soyabean oil producers, has gone too far and is about to launch its own aggressive promotion campaign.

Priority in the campaign will be given to the countries where palm oil has been under the most pressure from competitor lobbies — the US and the EC states. But major export markets like India, China and Pakistan will also be included.

Malaysia's belated defence campaign, costing $10m initially, will be aimed at the medical profession, governments, food and nutrition organisations, consumer interest groups, trade and consumer media. It will target seven regions: the US and Canada; Western Europe, particularly the olive oil-producing EC states of Spain and Greece; East Asia; the Indian subcontinent; heavy edible oil consuming countries of the Middle East; Australia and New Zealand; and South-east Asia, principally Malaysia itself and Singapore.

Palm oil's problem is its success. In 1960 Malaysia produced about 100,000 tonnes or 7 per cent of world production; by 1980 its output was up to 2.6m tonnes or 55 per cent of the world total; and this year the country will account for just under two-thirds of total world production with nearly 5m tonnes.

The average price of palm oil during 1988 has been around 1,000 Malaysian ringgits (£200) a tonne, 28 per cent up on last year. Malaysia's export earnings from palm oil in 1988 are forecast at 4.6bn ringgits, 42 per cent up on last year and 8.5 per cent of the country's total export receipts.

The US imports only 150,000 to 250,000 tonnes of palm oil a year from all sources — just 2 per cent of the total oils and fats consumed in the country. Yet the campaign against palm oil by the American Soybean Association has been strenuous. It asked the US Food and Drug Administration not to classify "tropical oils" such as palm oil, palm kernel oil and coconut oil as vegetable oils. It also tried to have a Bill introduced in Congress which would have required food products containing such oils to be labelled: "contains palm (or palm kernel or coconut) oil, a saturated fat," thus implying that they belong to the worst group of oils in terms of blood cholesterol levels, a key factor in coronary disease.

So far, the moves have failed and the FDA has rejected all the association's claims, but the battle is not over.

"The ASA has used very unfair and unethical tactics," says Professor Augustine Ong, director general of the Palm Oil Research Institute of Malaysia. "Palm oil is a balanced oil with 50 per cent saturated fatty acids and 50 per cent unsaturated fatty acids. Palm oil is anyway insignificant in the US diet. The argument is really about edible oil markets in third countries where soyabean (oil) is losing out heavily to palm oil."

There would seem to be some evidence for this. Palm oil is now sold to more than 70 countries. Malaysia has virtually cornered the market in India, a country of 800m people, and Iran has recently changed its palm oil classification from industrial to edible oil, providing a potential new market of 700,000 tonnes a year. Malaysia has also started to make inroads into China, the world's largest potential market.

Soya oil, with production costs about three times higher than palm oil, and rapeseed oil, with costs seven times higher, are finding it impossible to compete in these markets, even though US and European producers are heavily subsidised through farm price support systems which are non-existent in Malaysia.

"The ASA campaign against palm oil was an attack below the belt with half-truths and sometimes blatant lies on the health aspects" according to Dr Lim Keng Yaik, Malaysia's Minister of Primary Industries. "But they have awakened a sleeping tiger on health by tipping us off. They have made us realise we should promote the health aspects which perhaps we left behind before. We will run a new campaign on the healthy properties of palm oil which will strengthen and consolidate our markets."

Professor Ong explains: "Eight human studies world-wide, including France, the US and Pakistan are now complete. In all cases they show that palm oil actually reduces the level of blood cholesterol by between 7 per cent and 38 per cent." In addition, some recent Japanese research found palm oil better than olive oil in lowering blood cholesterol.

Olive oil is Malaysia's other main trading problem as the olive oil-producing countries in the EC are lobbying Brussels for a new levy on imported edible oils. The move has been blocked so far by a group led by Britain and West Germany, but the Malaysians are under no illusions about the determination of Spain and Greece, in particular, to continue the fight.

Prof Ong says an increasing number of studies show palm oil to be rich in both vitamin E and beta-carotenes, both of which are important inhibitors to heart disease and some cancers.

Both Prof Ong and Dr Lim insist the anti-palm oil campaign has been a trade war "disguised as a health issue."

"The subsidised US farmers in particular are losing their market share and palm oil is grabbing all the huge new markets like India and China," says Dr Lim. "The world oil fat market is 70m tonnes a year of which 22m tonnes are traded oils. Of those 22m tonnes 8m tonnes are now palm oil, all in the last 20 years and all at the expense of soya oil. That is what it is about. But palm oil is more cost effective, produced here without subsidy and is now proven to be positively healthy. We shall win this war."

But it looks like being a long and messy battle.

THERE WAS an old woman who swallowed a fly, ended up swallowing a horse and now is dead, of course — or so the nursery rhyme would have us believe.

Well, Malaysia has had its own real life version of ecological chains which do not always have the desired result. When the country's vast plantations were being developed rats became a scourge of almost plague proportions, feasting on the palm fruits and causing substantial damage and loss of income.

The planters introduced snakes to gobble up the rats but recently the snake population has been getting dangerously out of hand — and the rats, while down, are not out.

Undaunted, the planters have tackled the two pests in one fell swoop. The barn owl, which is not indigenous to Malaysia, has been successfully introduced in the palm plantations. It kills the snakes and helps to control the rat population by snatching baby rats too.

So far, the experiment is working but you can never be too sure.

At the beginning of this century the local authority of Klang, which has grown into Malaysia's principal west coast port, imported crows from Ceylon as free labour to scavenge the town's streets clean of rotting garbage. But the dream of clean streets turned into a Hitchcock nightmare. The crows got progressively bigger and multiplied rapidly. They ate not only garbage but also virtually the entire population of other, smaller birds and eventually began swooping on humans carrying shopping home. Their droppings are an eyesore and a major health hazard and huge culls of entire flocks are needed to try to control their numbers.

So perhaps the palm planters should not be too quick to crow about the success of their latest venture in airborne pest control.

EC Ministers wrestle with quota compensation problem

By Tim Dickson in Brussels

EUROPE'S FARM Ministers were last night struggling to find a way of compensating tens of thousands of dairy farmers unfairly deprived on milk quotas in 1984.

These producers — whose case was backed earlier this year in a key ruling from the European Court of Justice — were excluded from the quota system because they had voluntarily agreed not to sell their milk under a temporary scheme promoted by Brussels in the late 1970s.

Ministers and their national officials have been struggling to agree a satisfactory package to resolve the problem since late summer — but strong objections have been raised against aspects of the European Commission's proposal for creating an additional 500,000 tonnes of Community quota (raised last night in a new compromise package to 600,000 tonnes), to be paid for with a cut in the butter intervention price of 2 per cent.

The indications last night were that a major effort would be made to reach a deal at this week's meeting.

Northern countries of the EC are particularly concerned at the demands of some Mediterranean member states for an increase in their national quotas — a plea which will be harder to resist under the Spanish presidency in the first six months of next year.

The Commission, meanwhile, is thought to be ready, failing an end to the deadlock, to withdraw its proposal and leave the issue hanging.

The other major challenge for ministers this week is the Commission's scheme for reforming the beef sector. A first discussion on this issue was held last night

Egypt faces increased wheat import bill

By Tony Walker in Cairo

EGYPT FACES a sharply increased wheat import bill and potential difficulties securing sufficient quantities from traditional suppliers, officials in Cairo are forecasting.

Last week the country agreed to purchase 1.85m tonnes of Australian wheat in 1989 at $165.25 a tonne (fob). That was almost double the price it was paying 12 months ago for Australian wheat.

Egypt's annual imports of wheat and wheat flour exceed 6m tonnes. Previously it has relied on supplies from North America, Australia and the European Community, principally France. Canada has ceased supplying on credit, however, because of payment delays, and France, a major creditor, is understood to be unenthusiastic about increasing its large exposure to Egypt.

Australia has been exerting pressure on Egypt to pay a larger portion in cash for wheat under the implied threat of suspending further shipments. The Australian Government, anxious to reduce Australia's approximately $800m exposure to Egypt, has said that it will phase out credit sales within five year.

Last week's agreement was on two-year credit terms with a 10 per cent cash down payment. Australia had been selling wheat on three year credit. A five-year, 10m-tonne agreement expires next year.

Trade officials in Cairo predict that Egypt, which has negligible buffer stocks, will be forced to pay a premium for its wheat until at least next July when a new US harvest comes on to the market. Drought in the US and strong international demand for wheat has pushed the price to levels that would have seemed unthinkable a year ago.

Egypt imports some 75 per cent of its wheat requirements. Heavily subsidised bread is a national staple.

WORLD COMMODITIES PRICES

LONDON MARKETS

NICKEL prices advanced yesterday on the LME in early trading on reports of further West European steel mill demand and a fall of 498 tonnes in LME warehouse stocks. Copper, in contrast, closed at the day's ring lows in sympathy with Comex, where nearby tightness of supplies appeared to be easing. Some analysts say the current bull run appears to have lost some impetus and a retracement seems likely before the uptrend resumes. *Meanwhile cocoa prices declined* further, weakened by chart inspired selling. Friday's news that the France/Ivory Coast deal involved only 200,000 tonnes of cocoa — half the amount originally expected — undermined confidence, dealers said. Coffee price were boosted by continuing concern about nearby supply tightness for both Central American milds and some quality robustas.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$12.40-2.50q	+0.35
Brent Blend	$14.84-4.91q	+0.30
W.T.I. (1 pm est)	$15.92-5.95q	+0.24
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$170-173	+1
Gas Oil	$145-146	+2
Heavy Fuel Oil	$69-71	
Naphtha	$134-136	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$419.75	-1.00
Silver (per troy oz)♣	614c	-2
Platinum (per troy oz)	$586.50	-0.75
Palladium (per troy oz)	$127.50	
Aluminium (free market)	$2550	+10
Copper (US Producer)	168½-171½	+4¾
Lead (US Producer)	41¾c	
Nickel (free market)	730c	+30
Tin (European free market)	£4067.5	+37.5
Tin (Kuala Lumpur market)	19.64r	-0.01
Tin (New York)	344.0c	+1.5
Zinc (Euro. Prod. Price)	$1500	
Zinc (US Prime Western)	72½c	
Cattle (live weight)†	116.99p	+2.11*
Sheep (dead weight)††	174.83p	+1.35*
Pigs (live weight)†	82.76p	+0.46*
London daily sugar (raw)	$268.2z	+13.2
London daily sugar (white)	$304z	+9
Tate and Lyle export price	£270.5	+8.0
Barley (English feed)	£113	+3
Maize (US No. 3 yellow)	£129	
Wheat (US Dark Northern)	£112.25	-0.25
Rubber (spot)♥	58.25p	-1.00
Rubber (Jan)♥	65p	-1
Rubber (Feb) ♥	65.75p	-1.00
Rubber (KL RSS No 1 Jan)	298m	-1
Coconut oil (Philippines)§	$570z	
Palm Oil (Malaysian)§	$402.5	-2.5
Copra (Philippines)§	$385	
Soyabeans (US)	$180q	
Cotton "A" index	61.85c	+0.45
Wooltops (64s Super)	615p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Dec/Jan. w-Feb. v-Jan/Mar. u-Mar. q-Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Dec	787	806	805 792
Mar	825	836	837 817
May	827	839	836 822
Jul	833	843	841 830
Sep	835	844	840 831
Dec	860	867	863 862
Mar	872	877	875 868

Turnover: 4602 (5217) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec 9: 1083.33 (1112.11) :10 day average for Dec 12: 1110.10 (1113.21) .

COFFEE £/tonne

	Close	Previous	High/Low
Jan	1115	1105	1115 1104
Mar	1120	1107	1119 1104
May	1111	1096	1111 1100
Jly	1112	1097	1110 1095
Sep	1120	1100	1104 1096
Nov	1110	1095	1095

Turnover:2919 (2674) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 9 : Comp. daily 117.18 (116.57); . 15 day average 115.51 (115.35).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	266.20	268.80	270.40 265.40
May	256.60	258.60	260.40 255.60
Aug	247.00	248.60	250.00 246.40
Oct	242.60	245.00	245.40 243.00
Dec	238.00	239.00	240.00 239.00
White	**Close**	**Previous**	**High/Low**
Mar	295.00	300.00	299.00 290.00
May	291.00	296.00	294.00 290.00
Aug	291.50		292.90 292.50

Turnover: Raw 6551 (3878) lots of 50 tonnes. White 1895 (1241).
Paris- White (FFr per tonne): Mar 1770, May 1744, Aug 1740, Oct 1700, Dec 1690, Mar 1690

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
2350	169	190	15	92
2450	97	138	43	138
2550	48	97	92	195
Copper (Grade A)	**Calls**		**Puts**	
3000	352	277	33	220
3200	210	192	90	371
3400	111	129	189	484

TEA
There were 20,423 packages on offer this week including 1,600 offshore, reports the *Tea Brokers' Association. Assams met fair* demand but prices proved irregular and plainest sorts realised lower levels. Bangladesh teas were well supported at firm to dearer rates. Africans came to a good market with medium descriptions often 3p to 8p dearer. Ceylons sold readily although prices tended easier towards the close. Offshore teas attracted good competition with brighter kinds 5p dearer. Quotations: quality 150p (160p), medium 106p (107p), low medium 78p (79p).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 12,050 tonne
Cash	2530-40	2560-70	2550	2550-1		
3 months	2450-5	2458-62	2475/2425	2455-6	2435-45	23,613 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 2,250 tonne
Cash	1340-50	1370-80	1354	1354-6		
Dec. 21	1330-5	1350-60		1330-40	1330-5	7,240 lots
Copper, Grade A (£ per tonne)						Ring turnover 22,600 tonne
Cash	1925-30	1983-5	1935/1930	1935-40		
3 months	1683-4	1725-6	1700/1680	1694-5	1685-7	70,186 lots
Silver (US cents/fine ounce)						Ring turnover 60,000 ozs
Cash	612-5	611-2		612-5		
3 months	626-8	623-6		626-8		458 lots
Lead (£ per tonne)						Ring turnover 3,800 tonne
Cash	398-400	402-4	401/400	400.5-1.5		
3 months	389-90	390-2	391/390	390-0.5	388-90	11,573 lots
Nickel ($ per tonne)						Ring turnover 888 tonne
Cash	16450-500	15800-50	16500/16350	16300-50		
3 months	14800-900	14450-500	14950/14850	14875-925	14700-800	5,481 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 125 tonne
Cash	1545-50	1560-70		1546-55		
3 months	1520-5	1530-40		1525-30	1505-15	1,658 lots
Zinc ($ per tonne)						Ring turnover 6,225 tonne
Cash	1545-50	1560-5		1547-52		
3 months	1498-500	1510-5	1510/1482	1497-500	1484-5	12,034 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	68.0	65.0	
Apr	95.5	95.1	95.5 95.3
May	111.2	110.0	111.0 110.5

Turnover 74 (136) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Feb	161.00	161.50	162.00 160.00
Apr	162.50	163.00	163.00 161.50
Jun	153.00	153.00	154.30 153.00
Aug	148.50	150.00	

Turnover 103 (231) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Dec	1525	1527	1528 1523
Jan	1548	1549	1550 1543
Apr	1589	1585	1592 1583
Jul	1389	1385	1390 1385
BFI	1514	1494	

Turnover 194 (431)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jan	110.80	110.55	110.90 110.70
Mar	114.60	114.25	114.70 114.35
May	117.70	117.40	117.75 117.50
Jun	119.10	119.00	119.10 119.00

Barley	Close	Previous	High/Low
Jan	107.80	107.55	108.05 107.80
Mar	111.35	111.05	111.55 111.35
May	113.40	113.00	113.50 113.15

Turnover: Wheat 109 (173) , Barley 175 (109) .
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	419½-420	227¼-228
Opening	421-421½	228¼-228¾
Morning fix	421.00	228.531
Afternoon fix	420.00	227.828
Day's high	421¼-421¾	
Day's low	419-419½	

Coins	$ price	£ equivalent
Mapleleaf	432-437	234-237
Britannia	432-437	234-237
US Eagle	432-437	234-237
Angel	431-436	234-236¾
Krugerrand	418½-421½	227-229
New Sov.	98¾-99¾	53½-54¼
Old Sov.	98¾-99¾	53½-54¼
Noble Plat	601.60-608.75	326.45-330.20

Silver fix	p/fine oz	US cts equiv
Spot	333.55	614.10
3 months	344.20	628.00
6 months	355.15	642.20
12 months	378.30	671.40

CRUDE OIL $/barrel

	Close	Previous	High/Low
Feb	14.53	14.31	14.68 14.51
Mar	14.43		14.43
IPE Index	14.48	14.69	

Turnover: 1106 (4286)

GAS OIL $/tonne

	Close	Previous	High/Low
Jan	143.50	140.75	144.25 143.00
Feb	141.00	138.50	141.50 140.25
Mar	136.50	135.00	137.00 136.25
Apr	132.00	131.00	133.00 131.50
May	128.75		130.25 128.50
Jun	126.25	130.50	127.50 126.00
Jul	126.50	126.00	127.00 126.00

Turnover 4379 (5592) lots of 100 tonnes

US MARKETS

IN THE METALS, trading was relatively quiet ahead of Wednesdays trade data, reports Drexel Burnham Lambert. Gold, platinum and copper markets were all lower on mostly local activity. Silver futures were firm on some light dealer and trade buying. In the softs, cocoa prices fell 27 in March as fund selling weakened the market. Many against actual trades were featured in the day. Coffee futures again had good underlying buying. The grains featured a firmer corn market as cash prices edged higher. Wheat futures were also steady on anticipation of export news. The soy complex was softer due to weekend rains in South America. In the meats, all markets closed higher to start the week. In the pork bellies, short covering and technical buying by locals and commission houses advanced prices. Live hog prices also gained over 100 points as increased packer demand and stronger cash markets prompted buying. Cattle prices advanced as the discount of futures to cash, plus the steady tone to the cash market moved the futures higher. Cotton futures posted modest gains as trade and commission houses were both featured. Switch activity in the March/May contracts was also noted.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	420.1	422.9	421.5	419.2
Jan	422.4	425.4	0	0
Feb	424.6	427.6	426.0	423.8
Apr	430.1	433.1	431.1	429.9
Jun	435.7	438.7	436.8	435.0
Aug	441.6	444.6	442.0	441.0
Oct	447.2	450.2	447.9	447.9
Dec	452.9	456.0	454.0	452.5
Feb	424.6	427.6	426.0	423.6

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	589.1	600.2	597.3	587.0
Apr	586.6	596.2	592.0	585.5
Jul	585.6	595.2	592.0	586.5
Oct	586.6	595.2	589.5	588.4
Jan	588.1	597.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	616.9	617.5	618.5	613.0
Jan	619.9	620.6	618.0	617.5
Feb	624.8	625.3	0	0
Mar	629.8	630.5	634.0	624.5
May	639.9	640.5	643.0	635.5
Jul	650.5	650.9	652.0	646.0
Sep	661.0	661.2	662.0	655.0
Dec	676.6	676.5	675.0	673.0
Jan	681.2	681.0	0	0
Mar	693.0	692.8	689.0	689.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	158.50	162.90	160.50	157.50
Jan	149.00	152.50	149.20	149.20
Feb	140.50	145.80	0	0
Mar	135.20	139.10	137.00	134.80
May	127.20	129.60	128.00	126.05
Jul	124.30	126.10	124.80	123.60
Sep	121.50	122.50	122.00	122.00
Dec	118.00	119.00	116.00	116.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	15.90	15.84	15.95	15.83
Feb	15.57	15.60	15.70	15.52
Mar	15.41	15.46	15.54	15.35
Apr	15.31	15.38	15.43	15.28
May	15.22	15.34	15.36	15.22
Jun	15.19	15.32	15.27	15.19
Jul	15.24	15.30	15.25	15.25
Aug	15.24	15.29	15.24	15.24

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jan	4985	4950	5040	4970
Feb	4910	4868	4960	4895
Mar	4665	4660	4710	4660
Apr	4415	4420	4460	4414
May	4285	4285	4340	4285
Jun	4220	4220	4260	4215
Jul	4210	4205	4220	4210
Aug	4250	4255	4250	4250
Sep	4325	4325	4325	4325

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1365	1382	1385	1350
Mar	1397	1424	1415	1396
May	1408	1432	1424	1398
Jul	1411	1442	1428	1400
Sep	1418	1442	1425	1425
Dec	1437	1458	1460	1430
Mar	1446	1480	0	0
May	1463	1498	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	130.50	128.25	130.75	129.00
Mar	129.43	127.27	129.60	127.60
May	128.95	125.52	127.00	125.52
Jul	126.83	124.65	125.75	124.50
Sep	124.70	123.13	124.60	123.50
Dec	122.00	121.63	122.20	122.00
Mar	121.68	121.29	0	0
May	119.62	119.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	10.01	9.55	0	0
Mar	11.83	11.66	12.00	11.73
May	11.36	11.40	11.52	11.28
Jul	11.06	11.10	11.22	11.00
Oct	10.74	10.79	10.90	10.70
Jan	9.66	9.71	0	0
Mar	10.46	10.52	10.62	10.46
May	10.25	10.31	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	59.19	58.70	59.30	58.70
May	59.56	58.95	59.75	59.00
Jul	59.77	59.02	60.00	59.08
Oct	58.85	58.10	58.85	58.20
Dec	58.45	57.90	58.48	57.90

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	168.50	165.60	170.00	166.00
Mar	165.20	162.60	165.50	163.10
May	165.20	163.00	165.00	163.50
Jul	165.70	163.75	165.70	164.50
Sep	164.70	163.05	164.25	164.25
Nov	164.25	163.00	0	0
Jan	159.10	156.25	0	0
Mar	159.20	156.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 9	Dec 8	mnth ago	yr ago
1900.0	1897.4	1874.9	1681.9

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	137.19	135.99	137.27	132.33
Futures	141.79	140.94	140.27	134.40

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	769/2	773/4	773/4	765/4
Mar	781/6	785/2	786/0	778/4
May	786/0	788/4	791/0	783/0
Jul	785/4	786/2	789/0	781/4
Aug	775/0	775/0	777/0	772/0
Sep	730/0	728/2	734/0	726/0
Nov	701/0	696/2	702/4	694/4
Jan	707/0	703/4	711/0	704/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	23.38	23.37	23.62	23.20
Jan	23.53	23.50	23.70	23.35
Mar	24.08	24.06	24.25	23.83
May	24.57	24.60	24.75	24.35
Jul	25.05	25.07	25.25	24.85
Aug	25.10	25.12	25.35	25.60
Sep	25.17	25.20	25.26	25.10
Oct	25.20	25.30	25.30	25.05

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	243.8	246.7	247.0	243.5
Jan	244.8	247.8	248.5	244.3
Mar	244.7	246.6	247.3	243.7
May	243.2	243.2	243.5	240.7
Jul	236.5	238.0	239.0	235.5
Aug	229.0	229.5	232.0	228.0
Sep	220.0	219.9	222.0	218.0
Oct	209.0	209.0	211.0	208.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	261/4	259/4	264/0	259/0
Mar	272/2	270/6	274/4	269/6
May	277/0	275/0	278/4	274/2
Jul	279/2	276/4	280/0	275/4
Sep	263/4	258/0	264/0	259/0
Dec	258/6	254/0	259/2	254/0
Mar	264/4	260/0	265/0	259/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	428/4	427/0	429/0	425/4
Mar	429/0	428/6	428/4	425/4
May	411/4	408/2	412/4	406/0
Jul	384/4	381/6	384/6	380/4
Sep	387/4	385/0	388/0	386/0
Dec	397/0	393/4	397/0	395/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	72.42	71.82	72.55	71.95
Feb	72.15	71.57	72.30	71.65
Apr	74.15	73.75	74.30	73.65
Jun	73.00	72.50	73.10	72.40
Aug	71.05	70.60	71.10	70.40
Sep	69.60	68.90	69.60	0
Oct	70.00	69.50	70.10	69.50
Dec	71.25	71.00	71.25	70.60

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	42.77	41.60	42.90	41.90
Feb	45.87	44.75	46.10	45.20
Apr	44.62	43.42	44.80	43.70
Jun	48.45	47.80	48.85	47.90
Jul	48.82	48.07	48.87	48.07
Aug	48.20	47.45	48.20	47.65
Oct	45.10	44.47	45.10	44.47
Dec	46.40	45.40	46.45	45.50

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	44.60	43.25	45.00	43.75
Mar	45.07	43.82	45.55	44.30
May	46.95	45.70	47.20	46.15
Jul	48.00	46.75	48.42	47.45
Aug	46.95	45.92	47.45	46.90
Feb	56.00	54.00	56.00	56.00
Mar	56.00	54.00	56.00	0

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LONDON STOCK EXCHANGE

Shares recoup losses in thin trading

Account Dealing Dates			
*First Dealings:	Nov 28	Dec 12	Dec 28
Option Declarations:	Dec 8	Dec 22	Jan 12
Last Dealings:	Dec 9	Dec 23	Jan 13
Account Day:	Dec 19	Jan 3	Jan 23

*New time dealings may take place from 9.00 am two business days earlier.

THE UK stock markets seemed to be settling in for a glum Christmas yesterday, with both share prices and traders' spirits still subdued by last week's indications of an impending shakeout among securities firms in London. Share prices managed to recover early losses, helped by a programmed trade and a firm start on Wall Street, but the general picture remained unconvincing.

Except for the programmed trade, estimated at around £60m, turnover was modest, and a batch of corporate news and special features found a discouraging reception.

The market gave an similarly nervy response to reports on the UK economy, paying little heed either to confident views on the industrial outlook from members of the Confederation of British Industry, or to news of a 0.5 per cent dip in UK retail sales and a 0.3 per cent rise in output prices for November.

This week brings a number of important economic announcements on both sides of the Atlantic. The highlight will be tomorrow's announcement of the US trade data for October, but this will be followed later in the week by domestic data on wages, employment and retail prices.

The late rally left the FT-SE Index with a net fall of 2.4 at 1747.9. Earlier, the index had been below 1739. The session opened weakly with several major stocks adjusted downwards to allow for ex dividend quotation. Little selling pressure was seen, but nor was there much buying support when the market rallied behind an early rise of 14 Dow points in New York. Seaq volume fell to 460.7m from Friday's 639m, but took in a substantial proportion of intra-market business.

With investment confidence generally sluggish, it was left to a few corporate situations to occupy traders' attention. Much interest focussed around the next move by the Bond Corporation, following confirmation that it had sold its stake in Dewey Warren, the UK insurance broker. Shares in Lonrho fell at first but then recovered as the market waited to see if Bond will continue to buy into Lonrho.

Traders also looked for developments following Friday's suggestions of an impending $3.5m deal between BP and RTZ. Executives of RTZ lunched at County NatWest yesterday but refused to discuss the market hints that the mining group will buy up BP's mineral interests.

London traders were unimpressed by Grand Metropolitan's increased offer for Pillsbury of the US. Some reports suggested that Grand Met had been prepared to pay even higher than its latest $63 a share, itself considered unnecessary in view of the 80 per cent acceptance from Pillsbury shareholders for the original offer.

Glaxo growth query

Glaxo was well traded following yesterday's annual shareholders' meeting. In turnover of 3m shares, Glaxo fell 16 to 1083p, amid worries that the outlook for the company's sales growth may not be as good as expected. The turnover figure included one deal of 500,000 shares which was thought to have been part of a large programme trade done yesterday.

After the meeting, Dr Peter Woods, sector analyst at Warburg Securities, downgraded his profits forecast for 1989. He has shaved £25m off his previous forecast and now predicts £910m. "We were looking for underlying sales growth of around 20 per cent, but the chairman's statement implied growth at nearer the 16-18 per cent level," he said. He added, however: "That is still good by any standards. Our current stance is that investors should add to holdings - there should be outperformance from early next year".

Since Glaxo's results in September, a combination of currency and general fears has led to a succession of downgradings. Warburg's forecast has come down from £970m, while other houses have also substantially reduced their estimates. However, Nomura, which was an early admirer of Glaxo, is keeping its 1989 profit forecast at £954m.

Avdel battle rages

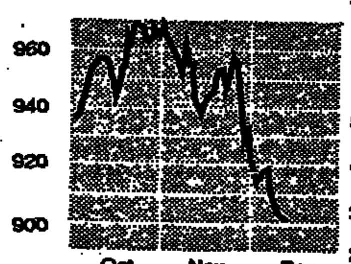
The transatlantic battle for the British industrial fasteners company Avdel assumed a new ferocity yesterday.

The hostile bidder, Mr Jeffrey Steiner, through his US-based Banner Industries, raised the bid from 80p to 88p per Avdel share and plunged into the market with an early buying spree which, Banner claimed, secured a further 13 per cent of its prey. Avdel said it held talks with another company at the weekend which could lead to a higher offer being made. In the meantime it advised its shareholders not to sell. The market enjoyed the rare flash of excitement on a dull day and Avdel shares closed 8 up at 88¼p. Turnover in Avdel exceeded 30m shares.

Banner has argued that its fasteners business is complementary to Avdel. The market, however, tends to sympathise with Avdel's strong desire to remain independent, while stillbeing impressed by the cash offer.

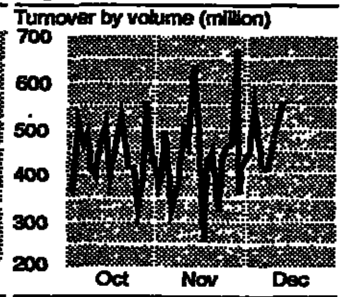
Banner said it had exercised its option to purchase 35m ordinary Avdel shares, representing 26.31 per cent, yesterday from Suter. It now claims control of 46.34 per cent of the Avdel voting shares in issue.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Ladbroke intervenes

Ladbroke Group late last night made a cash offer for Thomson T-Line, which owns Vernons Pools, of 80p a share with a loan note alternative.

The offer was made ahead of a shareholders' meeting to approve a merger between Thomson T-Line and Suter. The former's shares had soared after the company stated earlier it had received an approach which might lead to an offer being made. They closed 27 up at 77p.

The Ladbroke offer is conditional upon Thomson shareholders not approving the proposed acquisition of Suter. Ladbroke yesterday bought 2m Thomson shares at prices starting at 53p a share with the highest price paid being 74p.

The oil and gas sector was one of the market's best performing areas. A strong showing by crude oil prices and rumoured and actual corporate developments all helped to keep share prices bubbling during the session.

BP were well supported with the old finally 2¾ firmer at 250½p and the new 2 better at 148½p – albeit in thin trading – as dealers pondered the possibility of the oil group selling its minerals division to RTZ for around $3.5 bn.

Shell, ex the two-for-one scrip, were a shade off at 331p. Ultramar fell back sharply to 275p – "profit-taking, pure and simple" one dealer observed – but later rallied to close a net 5 off at 278p. Turnover of 2.7m was well below recent levels.

Sovereign Oil touched 154p prior to closing 3 firmer at 152p after Finnish group Neste revealed it had bought 8.4m Sovereign shares from Home Oil, thereby boosting its stake to 29.9 per cent. Dealers discounted talk of an immediate bid for Sovereign and pointed to the fact that Home retained an 11.1 per cent stake in Sovereign.

Apart from activity generated by a programme trade around midday, turnover in the big-four banks was at minimal levels. Barclays eased to 402p with 700,000 shares out of total turnover of 2m accounted for in a single trade at 402p. NatWest, where 600,000 were traded at 518½p out of a total of 1.6m shares, fell 4 to 518p. Bank of Scotland were quoted at 91½p as the shares were split from a nominal value of £1 to 25p apiece.

The Brewery sector was rather more lively than in recent sessions. Grand Metropolitan fell 6 to 438p after news of its new terms for Pillsbury. Turnover was 2.9m, including a single trade of nearly 800,000 shares which did little to improve sentiment. Dealers reported some uncertainty as to why the Pillsbury bid had been increased.

Leading stocks Bass and Allied Lyons both went ex-dividend, but put in rather different performances. Bass closed harder at 758p xd in improved turnover of 1.4m with dealers reporting good two-way trade. Allied was again more affected by speculation concerning Mr Alan Bond than by fundamentals and ended 7 down at 443p xd. Turnover was a reasonable 3.2m.

The building sector endured another painful trading session but was showing definite signs that the heavy selling of recent days could have run its course for the time being.

Federated Housing dropped 5 more to 206p and Countryside Properties closed a net 4 off at 190p, after 185p.

George Wimpey staged another upsurge and put on 9¼ to 253¼pon long-running speculation that the Grove Charity Trust's 35 per cent holding may soon be on the move and also after Presscomment on the joint property development deal with GUS.

Johnstone Paints leapt 32 to 150p after the company revealed it had received an approach which could lead to a takeover bid.

Marks and Spencer although unchanged at 141p were the most actively traded store with some 6.8m shares changing hands. Burton, up 6 to 181p in turnover of 1.9m, continued the good run of the last three weeks and once again went against the downward trend with "some big buyers showing interest."

Storehouse, up 6 at 188p in turnover of 2.8m, also bucked the decline following favourable press comment and continued bid speculation. Dealers said that the resignation of Mr Francis Bruguiere, chief executive of home furnishing and chairman of Habitat, had no effect on the shares as he had left with "no malice."

Second liners saw some hefty falls as dealers cut their books. Following their recent good run Body Shop fell 26 to 478p while Courts dropped 12 to 158p and unlisted security Sock Shop shed 12 to 190p.

GEC's turnover of 13m was considerably boosted by two major trades, one of 3m at 177p and the other of 5m at 174½p; the latter showed up on the SEAQ ticker just before 5 pm and was thought to have represented a "bed and breakfast" deal. GEC shares were finally a penny easier on the day at 178p. Plessey, where GEC and Siemens are jointly bidding 225p a share for the group, moved ahead significantly late in the afternoon, closing a net 6 higher at 215p ex-dividend; turnover was 2.5m.

There was keen interest in Racal Electronics, 3 higher at 262p and Racal Telecoms, steady at 159p, ahead of their respective interim figures which are scheduled for this morning. County NatWest is forecasting pre-tax profits up some 45 per cent to £82m at the former while the latter should come out with £24m pre-tax, up 48 per cent on the comparable figure last year.

There were good performances from recently-beleaguered Amstrad, which rallied strongly from an earlier 144p to settle 4 better on the day at 150p with Kleinwort Benson and Hoare Govett said to have been big supporters of the stock at the lower level. Ferranti closed steady at 90½p ex-dividend; the market was full of stories that news of the important Eurofighter radar contract is imminent.

Market hopes of a bid for English China Clays from RTZ continued to fade and that sentiment, coupled with cautious expectations for English China Clay's final figures today, depressed the shares 8 to 428p.

A 28 per cent increase in interim profits turned in by Dowty, the engineering and aviation group, was well-received as a tangible sign of the company's rationalisation efforts. Dowty rose 3 to 212p in a lacklustre engineering sector. Defence stocks had few friends and Hunting Associates fell victim to the mood, ending 12 down at 345p.

Among the industrials Hepworth rose 10 to 217p. One firm of brokers were determined buyers of the stock which is not generally perceived as a bid prospect. On acutely disappointing interim figures Havelock Europa was lowered 105 to 185p in a restricted market.

Hoare Govett, in a report out today, remains bullish on foods. Casting doubts on fears that saturation levels have been reached the securities house forecasts growth for the sector "well above market levels."

Food retailers, seen as defensive stocks, saw some small gains with ASDA up 2 at 135p, Tesco up 3 at 132p and Gateway up 4 at 151½ ahead of today's results. Trade was thin but dealers said that there had been some "significant buyers."

Properties had another dull session with one marketmaker saying that business was "purely market to market, no institutional interest at all – its very depressing and frustrating." Land Securities rose 6 to 548p in turnover of 1.4m shares, while MEPC slipped 7 to 527pxd in similar trade.

Hammerson 'A' dropped 10 to 870p after press comment that following the hostile bid from Rodamco the company might re-assess its portfolio asset value. Mountleigh fell 6 to 159p with dealers saying that the price was too high and would continue to fall unless "something concrete materialises from the bid rumours."

Dewey Warren emerged as the bidder for Argyle Trust, offering terms of a mixture of cash and stock which the latter's board recommend shareholders to accept. Argyle shares, fairly strong last week on stakebuilding speculation, improved only 3 further to 95p.

Smith New Court suffered further from Friday's gloomy trading statement and, despite the Rothschilds group increasing its holding to 29.03 per cent, or 33.19 on a fully diluted basis, lost 3 to a low for the year of 144p.

Lonrho shares gave another demonstration of their current sensitivity to wider market events. They fell early with the FT-SE index and touched 323p before rebounding sharply on unconfirmed Australian reports that Mr Alan Bond may this week secure the finance for a full-scale attack on the diversified UK trading group. He currently controls 21.5 per cent of the stock. Speculative business revived as the price rallied and Lonrho shares eventually settled 11 higher on the day at 345p after turnover of 6.7m.

Apollo Metals, the Birmingham-based processor and distributor of aluminium plate and bar, fetched a premium when the stock began trading in the Unlisted Securities Market yesterday. Placed recently by Midlands broker Griffiths and Lamb at 58p, Apollo shares attracted steady interest and rose to 65p before settling slightly below the best at 64p.

Dealings in traded options were rescued from the doldrums mainly by the continued rise of turnover in the FT-SE 100 index, which reached about one-third of overall contracts of 35,951. Total transactions were made up of 18,537 calls and 17,414 puts. Index trading lay in 2,263 calls and 8,798 puts, in an overall figure of 11,061, with the December 1700 puts attracting business of 2,174 puts and the December 1750 puts 2,983, though the changes in the numbers of exercisable contracts were more modest.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 30

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (13).
BANKS (1) C'hgn. Hbk., BUILDINGS (5) Johnstones Pts., Newarthill, Pochins, ELECTRICALS (1) Ericsson (L.M.), ENGINEERING (1) Thyssen, INDUSTRIALS (6) AGA, Alfa-Laval 'B', Avdel, Docius, Electrolux, Nu-Swift, LEISURE (1) Virgin Grp.
NEW LOWS (208).
BRITISH FUNDS (1) AMERICANS (2) CANADIANS (6) BANKS (4) BUILDINGS (16) CHEMICALS (2) STORES (18) ELECTRICALS (16) ENGINEERING (13) FOODS (7) INDUSTRIALS (30) INSURANCE (3) LEISURE (3) NEWSPAPERS (3) PAPERS (20) PROPERTY (10) SHIPPING (2) TEXTILES (3) TRUSTS (17) OILS (6) OVERSEAS TRADERS (1) MINES (12) THIRD MARKET (8).

FINANCIAL TIMES STOCK INDICES

	Dec. 12	Dec. 9	Dec. 8	Dec. 7	Dec. 6	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	86.79	86.77	86.97	87.24	87.22	87.94	91.43 (18/4)	86.28 (12/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.65	96.57	96.50	96.55	96.51	98.01	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1422.4	1429.4	1437.1	1451.0	1444.8	1312.4	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	174.6	176.8	178.7	177.5	180.6	336.0	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Dl. Yield	5.16	5.12	5.09	4.99	5.01	4.77				
Earning Yld % (full)	13.02	12.93	12.86	12.65	12.69	11.87				
P/E Ratio (Net)(*)	9.28	9.33	9.39	9.55	9.52	10.32				
SEAQ Bargains (5pm)	21,633	27,848	22,759	21,657	21,099	21,883				
Equity Turnover (£m)†	-	1105.75	1007.63	883.63	785.90	934.61				
Equity Bargains†	-	28,295	24,040	21,601	21,216	23,344				
Shares Traded (ml)†	-	558.9	472.1	402.7	418.3	350.0				

Ordinary Share Index, Hourly changes

Opening	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1421.3	1421.5	1417.4	1418.5	1419.7	1418.7	1420.0	1422.4

DAY'S HIGH 1423.2 DAY'S LOW 1416.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil 9.22 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Dec. 9	Dec. 8
Gilt Edged Bargains	86.2	88.2
Equity Bargains	183.5	155.8
Equity Value	2227.0	2036.7
5-Day average		
Gilt Edged Bargains	94.6	95.3
Equity Bargains	156.6	147.8
Equity Value	1916.4	1862.8

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

APPOINTMENTS

de Morgan reorganises

■ The de MORGAN GROUP has reorganised its board as follows: Mr D.M.L. McWilliam, chairman; Mr A.P. Scott, deputy chairman; Mr A.C. de Morgan, chief executive; Mr N.T. Horton, finance director; and Mr C. Cayzer, non-executive director. All were existing directors. Mr J.W. Roberts, Mr P.W. Morgan, Mr R.J. Clarke and Mr N.J. Aspinall, who leave the board, have been appointed members of the new group advisory committee, on which all members of the board will also serve.

■ Mr Len Oram has been appointed sales director of ABTRUST MANAGEMENT. He was marketing manager of Sentinel Funds Management, which Abtrust acquired on November 1.

■ SECURITY PACIFIC BANK has made Mr Christopher M. Cornforth, vice president, head of project finance.

■ MADOFF SECURITIES INTERNATIONAL, the specialist US equities and ADR dealing house, has appointed Mr Tony Marshall and Mr John Purcell as executive directors. The team joins from Prudential Bache Securities where they were responsible for the US equities trading operation.

■ GIRDLESTONE HOLDINGS has appointed Mr John Adams to the board. He also becomes managing director of Girdlestone & Co and Girdlestone Developments. Mr Derek Hill, a director of Girdlestone Pumps since 1980, has been appointed managing director.

Mr Mark Cornwall-Jones becomes a non-executive director of CENTURY OILS GROUP from January 1. He is a director of John Govett & Co., and a non-executive director of a number of other investment companies.

COOPERS & LYBRAND ASSOCIATES EUROPE has appointed Mr Peo Lindholm as a director based in London. He was finance director of Swedish Match.

■ CREST HOMES, subsidiary of Crest Nicholson, has appointed Mr Jan Czezowski, managing director of Crest Homes (Westerham), and Mr Ron Woodhall, who was managing director of Crest Homes (South West), to the board. Mr Nigel Davies, deputy managing director of Crest Homes, has been promoted to chief executive (trading).

BASF changes

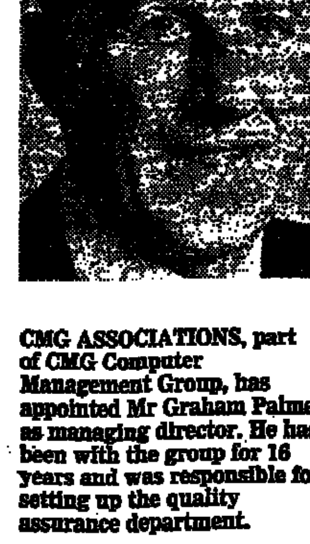
■ Mr Michael Bircham, director of BASF's chemicals business at Cheadle Hume, Cheshire, becomes director of the colours and specialities division from January 1. He succeeds Dr Brian Pagdin who died earlier in the year. Mr Bircham is succeeded by Mr Rolf Gohdes from the intermediates department of BASF AG. Mr Arthur O'Rafferty from Cheadle Hume replaces Mr Gohdes at Ludwigshafen, and Mr David Swale becomes manager of the intermediate chemicals business.

■ Ms Julie Macey has been appointed managing director of REGENT HOUSE. She was managing director of Charles Church. Also joining the board are Mr Alan Chasan and Mr Peter Galloway.

■ The next director-general of the ENGINEERING EMPLOYERS' FEDERATION is to be Mr Peter Brighton, director of operations of British Aerospace. He will join the Federation on January 1 and will succeed Dr James McFarlane as director-general on February 15 at the annual meeting of the general council.

■ Mr Steve Newman has been appointed managing director of PHILLIPS INSURANCE, Canvey Island, Essex. He was general manager. The company is part of the Holding & Barnes Group.

■ Mr Frank W. Brown has been appointed managing director, based in Birmingham of the SME services division of EUROFI. He was managing director, European operations, of BSR International, and managing director of PSM International.



CMG ASSOCIATIONS, part of CMG Computer Management Group, has appointed Mr Graham Palmer as managing director. He has been with the group for 16 years and was responsible for setting up the quality assurance department.

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS

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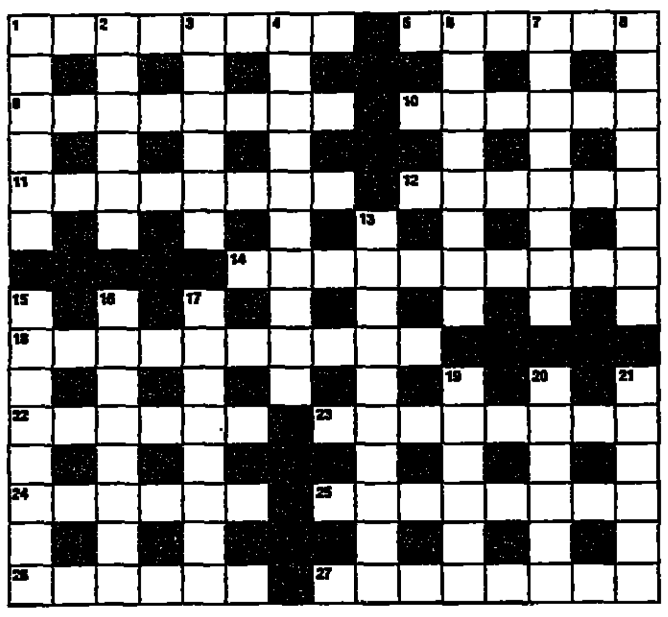
CROSSWORD

No.6,810 Set by DINMUTZ



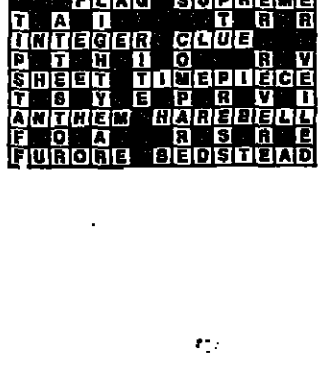
ACROSS

1 Hot, always, in angle (8)
5 One who has set features at work? (6)
9 Girls go to doctor for syrup (8)
10 One in Paris longs for lingerie (6)
11 General consumes the number one soft drink (8)
12 Potteries town right for the furnace-man (6)
14 Biscuit provided for redhead's forty winks? (10)
18 Capri's moon changes in this examination (10)
22 Flag officer (6)
23 Shilling (silver) is enough to make an American quail (3-5)
24 Spoils article in colour (Sunday supplement) (6)
25 Long to take in salt here at the peak (8)
26 Religious Roman emperor and dramatist (6)
27 Like churches in the chase? (8)

DOWN

1 Iron man or woman (6)
2 Body book (6)
3 Getting up a rebellion (6)
4 Simple diet, perhaps, we should not exceed when travelling (5,5)
6 Change the properties of one in false teeth (8)
7 Slim ruler acting like Descartes? (8)
8 Pope's answer – write more lines! (8)
13 In a storm, go out for a farming expert (10)
15 Salary-ceiling of one on 11, perhaps? (5-3)
16 Oversight of operator taking on assignment (8)
17 Girl involved in the changing of the guard (8)
19 Remus, for example, getting up with a brief pang (6)
20 Conversion of calif's is tax revenue-related (6)
21 Serve like Dr Arnold to finish off (6)

Solution to Puzzle No.6,809



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INSURANCES

OTHER UK UNIT TRUSTS

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National Mutual Life

The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	196.1	206.5		-
Managed Prospect Fund	159.2	167.6		-
UK Equity Fd	236.7	249.2		-
Fixed Interest	158.0	166.4		-
Pacific	224.2	236.1		-
North American	101.9	107.3		-
Pens. Managed	220.2	231.8		-
Pens. UK Equity	252.9	266.3		-
Pens. Overseas Equity	273.9	288.4		-
Pens. Property	174.7	183.9		-
Pens. Fixed Interest	173.0	182.2		-
Pens. Index Linked	133.0	140.0		-
Pens. Deposit	163.4	172.0		-
P.R.P. UK Equity	110.0	115.8		-
P.R.P. Overseas Equity	97.5	102.7		-
P.R.P. Fixed Interest	117.7	123.9		-
P.R.P. Property	144.6	152.3		-
P.R.P. Index Linked	120.2	126.5		-
P.R.P. Deposit	112.7	118.7		-
P.R.P. Managed	110.4	116.3		-
P.R.P. With Profits	117.9	124.2		-

National Provident Institution

48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	286.5	301.6	-1.1	-
UK Equity	350.6	369.1	-3.7	-
Overseas Eq.	264.1	278.1	+0.8	-
Americas	190.0	239.5	+0.7	-
Far East	331.2	348.7	-2.1	-
Property	192.5	202.7	-0.4	-
Fixed Int.	216.2	227.6	-	-
Indexed Gilt	127.8	134.6	-	-
Deposit	144.4	152.1	+0.1	-
Pension Fund (Accum Units)				
Managed	370.2	389.7	-1.3	-
UK Equity	409.3	430.9	-4.1	-
Overseas Eq.	415.3	437.2	-0.1	-
Americas	264.8	278.8	+0.8	-
Far East	556.0	585.3	-4.1	-
Property	228.1	240.2	-0.8	-
Fixed Int.	248.9	262.1	+0.2	-
Indexed Gilt	138.4	145.7	-	-
Deposit	183.4	193.1	+0.2	-
NPI Pensions Management Ltd				
Managed Fund	1890.1	906.0	-1	-

Providence Capital Life Assc. Co Ltd

30 Uxbridge Rd, London W12 8PG

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

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FT UNIT TRUST INFORMATION SERVICE

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	1988 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
102[illegible]	99[illegible]	Treas 11½pc 1989	99[illegible]	......	11.55	13.10
101[illegible]	98[illegible]	Treas 9½pc Cnv 1989	98[illegible]	......	9.61	12.94
97[illegible]	95[illegible]	Treas 3pc 1989	97[illegible]	......	3.09	10.48
102[illegible]	98[illegible]	Treas 10½pc 1989	98[illegible]	......	10.62	12.86
102	98[illegible]	Exch. 10pc 1989	98[illegible]	......	10.17	12.80
103[illegible]	98[illegible]	Exch 11pc 1989	98[illegible]	......	11.13	12.52
97[illegible]	94[illegible]	Treas 5pc 1986-89	95[illegible]	......	5.24	10.74
104[illegible]	98[illegible]	Exch 10¼pcCv '89	98[illegible]	......	10.36	11.51
107½	101[illegible]	Treas 13pc 1990‡‡	101[illegible]	+[illegible]	12.83	11.72
104[illegible]	99[illegible]	Exch 11pc 1990‡‡	99[illegible]	......	11.08	11.63
107[illegible]	100[illegible]	Exch. 12¼pc 1990	100[illegible]	......	12.39	11.72
93[illegible]	90[illegible]	Treas. 3pc 1990	91[illegible]	+[illegible]	3.29	9.95
99[illegible]	95[illegible]	Treas 8¼pc 1987-90‡‡	95[illegible]	......	8.64	11.65
102[illegible]	95[illegible]	Treas. 8pc Cv 1990 ‡‡	96[illegible]	+[illegible]	8.30	10.60
103[illegible]	97[illegible]	Treas. 10pcCv 1990	97½	+[illegible]	10.26	11.51
91[illegible]	87[illegible]	Exch 2½pc 1990	87[illegible]	......	2.85	9.59
107[illegible]	100[illegible]	Treas 11¾pc 1991	100[illegible]	+[illegible]	11.70	11.54
95[illegible]	89[illegible]	Funding 5¾pc '87-91‡‡	89[illegible]	......	6.40	10.84
90[illegible]	86	Treas. 3pc 1991	86	......	3.49	9.60
105[illegible]	98[illegible]	Treas 10pc Cv '91 ‡‡	98[illegible]	+[illegible]	10.19	10.89
107[illegible]	99[illegible]	Exch. 11pc 1991	99[illegible]	......	11.09	11.32
98[illegible]	91[illegible]	Treas. 8pc 1991	91[illegible]	+[illegible]	8.72	11.31
113[illegible]	104[illegible]	Treas 12¾pc 1992‡‡	104[illegible]	......	12.24	11.09
104[illegible]	97[illegible]	Treas 10pc 1992	97[illegible]	......	10.31	11.10
98[illegible]	91[illegible]	Treas. 8pc 1992 ‡‡	91[illegible]	......	8.73	11.06
106[illegible]	98[illegible]	Treas 10½pc Cv 1992‡‡	98[illegible]	......	10.66	11.03
86[illegible]	82[illegible]	Treas. 3pc 1992	82[illegible]	......	3.64	8.98
112[illegible]	103[illegible]	Exch. 12¼pc '92	103½	......	11.85	11.08
117[illegible]	107[illegible]	Exch 13½pc 1992	107[illegible]	......	12.56	11.00
97[illegible]	91[illegible]	Treas 8¼pc 1993	91[illegible]	......	9.01	10.79
105[illegible]	97[illegible]	Treas 10pc 1993‡‡	97[illegible]	......	10.26	10.72
115[illegible]	105[illegible]	Treas 12½pc 1993‡‡	105[illegible]	-[illegible]	11.80	10.84
93[illegible]	85[illegible]	Funding 6pc 1993‡‡	85[illegible]	-[illegible]	7.00	9.81
121[illegible]	110[illegible]	Treas 13¾pc 1993‡‡	110[illegible]	......	12.40	10.86

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

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AMERICANS—Contd

1988 High	Low	Stock	Price $	+ or −	Div Gross	C'vr	Y'ld Gr's
19	14	USX $1	15	.....	$1.40	—	5.0
140p	44p	♦Unilab	127p	.....	—	—	5.0
24	17	Utd. Technologies	21	+	$1.60	—	4.1
163p	27p	♦Utilitech Inc	133p	.....	—	—	-
34	26	US West	32	+	$3.52	—	6.1
24	16	Waste Management $1	22	+	48c	—	1.2
16	12	Whirlpool $1	13½xd	+	$1.10	—	4.5
21	16	Wahlman Corp.	17½xd	.....	96c	—	3.0
33	18	♦Woolworth $3½	27	.....	$1.64	—	3.3

CANADIANS

1988 High	Low	Stock	Price	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	141p	♦ABM Gold Corp	153p	+6	—	—	—
32p	7p	♦Abbot Energy Corp.	7p	.....	—	—	—
14	895p	♦Amer. Barrick Res.	895p	−25	—	—	-
10p	2	♦Amer. Lightwave	3p	.....	—	—	-
47p	7½p	♦Armeno	13½p	+	—	—	-
76p	36p	♦Asamitto Expln.	41p	+1½	—	—	-
14	10	Bk. Montreal	12	.....	$2.00	—	7.4
769p	514p	Bk. Nova Scot.	663p	−6	76c	—	5.2
18	15	BCE	17xd	−	$2.44	—	6.5
716p	527p	♦Bow Valley	589p	+1	♦40c	—	3.1
13	10½	♦Brascan	11½	.....	88c	—	3.5
328p	177p	♦Breakwater Res.	191p	.....	10c	—	2.4
12	801p	Can. Imp Bank	11	.....	$1.16	—	4.6

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LEISURE

LONDON SHARE SERVICE

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	67	-1
Craig & Rose £1 γ	710	
Finlay Pkg. 5p γ	86	
Holt (Jos) 25p γ	£11¾	

IRISH

Cap. 8½% Ln. 1991	£99⅝	
9pc Cap Ln. 1996	£103¼	
Fin. 13% 97/02	£124¼	
Arnotts γ	375	
Carrol (P.J.) γ	145	
Grafton Grp. γ	143	
Hall (R. & H.)	153	
Heiton Hldgs. γ	57	
Irish Ropes γ	165	

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	18
BAT	48
BOC Grp.	36
BSR	7½
BTR	28
Barclays	34
Beecham	48
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons.	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	98
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen.	26
Lex Service	34
Lloyds Bank	29
Lucas Inds.	48
Marks & Spencer	15
Midland Bk.	35
Morgan Grenfell	28
NEI	12
Nat West Bk.	45
P & O Dfd.	48
Plessey	15
Polly Peck	28
Racal Elect.	25
RHM	32
Rank Org Ord.	63
Reed Intnl.	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	38
Land Securities	52
MEPC	59
Peachey	54

Oils

Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	5½
Shell	85
Ultramar	21

Mines

Cons Gold	108
Lonrho	38
RTZ	48

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar awaits trade data

THE DOLLAR was held in a narrow range yesterday, as investors took positions ahead of US trade figures for October, due for release tomorrow. Consequently, trading volume slowed, and those still active in the market seemed content to sell towards the top of the range and buy on the dips.

Overnight trading in Tokyo saw the dollar edge higher, but it met persistent selling at Y123.50, regarded as a key resistance level. This put a temporary ceiling on the dollar's trading range, and some dealers are suggesting that there is little chance of a significant break out ahead of Christmas and the New Year, unless the trade deficit is outside the recent monthly range of $9-12bn.

The US unit closed at DM1.7405 against DM1.7330 and Y122.75 compared with Y122.25. Elsewhere, it finished at SFr1.4610 and FFr5.9500 from FFr5.9250. On Bank of England figures, the dollar's exchange rate index rose from 92.6 to 93.1.

Sterling regained some of its composure during the afternoon, having lost ground in the morning. The pound fell below DM3.20, as investors moved quickly to take profits, after it became clear that sterling is unlikely to touch DM3.2450 in the near future.

The latter rate is regarded as a key point to take profits, but a decision by some traders to square positions at a lower level quickly prompted a similar reaction from other investors.

UK economic data released yesterday failed to have any major impact. Producer prices for November rose by 0.5 p.c. on the input side and 0.3 p.c. on output, much in line with expectations. A 0.5 p.c. fall in retail sales was mildly encouraging, as it suggests that the high level of UK interest rates may be having an effect on consumer spending.

Sterling closed at DM3.2075 from DM3.2050 and Y226.25 compared with Y226.00. Against the dollar, it fell to $1.8420 from $1.8490. Elsewhere, it finished at SFr2.6975 from SFr2.7025 and FFr10.9600 from FFr10.9550. On Bank of England figures, the pound's exchange rate index finished unchanged from Friday at 78.2, having opened at 78.3.

The French franc lost ground against the D-Mark, following renewed speculation that West German interest rates may be increased. The D-Mark rose to its highest level for three weeks against the franc, and was fixed at FFr3.4180, but there was no intervention by the Bank of France. A squeeze on US interest rates added to the nervous tone.

An increase in Japan's trade surplus failed to have much effect on the yen. The November surplus rose to $6.55bn from $4.75bn a year ago, while the unadjusted figure rose to $7.61bn in November from $7.19bn in October. The underlying boost for the yen was offset to some extent by the poor health of Emperor Hirohito, the latter tending to reduce trading volume as a mark of respect.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec.12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5346	+2.54	+0.78	±1.5344
Danish Krone	7.85212	8.01789	+2.11	+0.35	±1.5404
German D-Mark	2.05853	2.07735	+0.91	-0.85	±1.0981
French Franc	6.90403	7.10059	+2.85	+1.09	±1.3674
Dutch Guilder	2.31943	2.34519	+1.11	-0.65	±1.5012
Irish Punt	0.768411	0.776295	+1.03	-0.73	±1.6684
Italian Lira	1483.58	1532.46	+3.29	+2.23	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Dec.12	Latest	Previous Close
£ Spot	1.8400-1.8405	1.8460-1.8475
1 month	0.55-0.54pm	0.53-0.51pm
3 months	1.66-1.64pm	1.70-1.67pm
12 months	5.70-5.60pm	5.87-5.77pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.12	Previous
8.30 am	78.3	78.6
9.00 am	78.3	78.4
10.00 am	78.2	78.2
11.00 am	78.1	78.3
Noon	78.1	78.2
1.00 pm	78.1	78.2
2.00 pm	78.1	78.2
3.00 pm	78.2	78.2
4.00 pm	78.2	78.2

CURRENCY RATES

Dec.12	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.739496	0.649098
U.S Dollar	6.50	1.36474	1.19518
Canadian $	8.75	1.63387	1.43542
Austrian Sch.	4	16.6771	14.6099
Belgian Franc	7¾	49.7072	43.5346
Danish Krone	7½	9.15098	8.01789
Deutsche Mark	3½	2.37233	2.07735

*All SDR rates are for Dec.9

CURRENCY MOVEMENTS

OTHER CURRENCIES

(1) Commercial Rate now quoted. *Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Dec.12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8385 - 1.8455	1.8415 - 1.8425	0.57-0.54cpm	3.62	1.69-1.64pm	3.62
Canada	2.2025 - 2.2155	2.2050 - 2.2060	0.50-0.40cpm	2.45	1.15-1.03pm	1.98
Netherlands	3.61 - 3.63	3.61¼ - 3.62¼	2½-2⅛cpm	8.09	6⅝-6⅛pm	7.19
Belgium	66.90 - 67.40	67.20 - 67.30	37-32cpm	6.16	102-94pm	5.83

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

FINANCIAL FUTURES

Sterling prices advance

STERLING BASED futures showed a firmer tendency in Liffe trading yesterday. Three-month sterling deposits advanced, after a hesitant start, underpinned by a fall in UK retail sales in November. Dealers argued that the mild encouragement derived from this figure increased hopes that UK base rates may not have to be pushed higher than the current 13 p.c.

The March contract opened at 86.78, little changed from 86.79 on Friday, but rose to finish at 86.94. However, trading volume remained relatively light.

UK long gilt futures were also slightly higher, but many investors are reserving judgement on portfolio decisions until after the release of US trade figures for October - due tomorrow - and UK inflation figures for November, expected on Friday.

US Treasury bond futures moved firmer in very light trading, with most traders sidelined ahead of US trade data and a meeting this week of the US Federal Open Market Committee. The March price improved to 89-24 from 89-13 at the opening and 89-07 on Friday.

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE FT-SE INDEX FUTURES OPTIONS

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

PHILADELPHIA SE £/$ OPTIONS

LONDON SE £/$ OPTIONS

LONDON (LIFFE)

CHICAGO

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.6840	0.6842	0.6821	0.6842
Mar	0.6904	0.6907	0.6887	0.6908
Jun	0.6975	0.6975	0.6965	0.6987
Sep	0.7045	-	0.7045	0.7057

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Dec	278.70	278.70	277.90	277.30
Mar	281.80	282.00	281.00	280.45
Jun	284.80	284.80	283.90	283.45
Sep	286.90	286.90	-	285.55

EUROPEAN OPTIONS EXCHANGE

NAT.NED. P	Fl. 65	7	2.70	112	3.70	22	5		Fl. 63
PHILIPS C	Fl. 30	2018	1.40	67	2.50	72	2.80 B		Fl. 30.50
PHILIPS P	Fl. 30	208	0.70	66	1.90	50	2.40		Fl. 30.50
ROYAL DUTCH C	Fl. 230	173	2.80	37	8.30 B	4	9		Fl. 226
ROYAL DUTCH P	Fl. 220	397	1.50	148	4.50	4	7.80		Fl. 226
ROBECO C	Fl. 100	13	0.20	-		-	-		Fl. 95.10
UNILEVER C	Fl. 120	145	1	196	4	11	5.80		Fl. 113.80
UNILEVER P	Fl. 120	161	6.80	102	8.30	152	11		Fl. 113.80
VAN OMMEREN C	Fl. 30	-	-	-	-	69	3.80		Fl. 32.30
WESSANEN C	Fl. 80	13	2.50	-	-	-	-		Fl. 79.80

TOTAL VOLUME IN CONTRACTS : 26,374

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	13	City Merchants Bank	13	NatWestminster	13
Adam & Company	13	Clydesdale Bank	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Comm.Bk.N.East	13	Norwich Gen. Trust	13
Allied Irish Bank	13	Co-operative Bank	*13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Coutts & Co	13	Provincial Bank PLC	14
ANZ Banking Group	13	Cyprus Popular Bk	13	R. Raphael & Sons	12
Associates Cap Corp	12	Dunbar Bank PLC	13	Roxburghe G'rantee	13½
Authority Bank	13	Duncan Lawrie	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Equatorial Bank plc	13	Royal Trust Bank	13
Bank of Baroda	13	Exeter Trust Ltd	13½	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	Financial & Gen. Bank	13	Standard Chartered	13
Bank Hapoalim	13	First National Bank Plc.	14	TSB	13
Bank Leumi (UK)	13	● Robert Fleming & Co.	13	United Bk of Kuwait	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs.	13½	United Mizrahi Bank	13
Bank of Cyprus	13	Girobank	13	Unity Trust Bank Plc	13
Bank of Ireland	13	● Guinness Mahon	13	Western Trust	13
Bank of India	13	HFC Bank plc	13	Westpac Bank Corp.	13
Bank of Scotland	13	● Hambros Bank	13	Whiteaway Laidlaw	13½
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Yorkshire Bank	13
Barclays Bank	13	● Hill Samuel	§13		
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	‡13.95		
Citibank NA	13	Mount Banking Corp.	13		
		Nat Bk. of Kuwait	13		

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MONEY MARKETS

German rates firm

SHORT-TERM interest rates rose in Frankfurt yesterday, ahead of this week's sale and repurchase tender and a meeting of the Bundesbank central council on Thursday. Call money was bid at 5 p.c., the same as the emergency Lombard rate, as dealers expressed their concern over the chance of a rise in the Lombard rate.

The firmer tone was set after comments last week by Mr Helmut Haussmann, West Germany's new Economics Minister, when he said that there is too much liquidity in the economy, and that the fight against inflation remains a top priority. Money supply targets for 1989 are due to be announced at a news conference, after the meeting on Thursday. Most expect a continuation of 3-6 p.c. target on M3, but some traders also fear a rise in the Lombard rate as a further means of controlling monetary expansion.

UK clearing bank base lending rate 13 per cent from November 25

Interest rates in London showed little change. While UK retail sales slowed in November, and producer prices were much as expected, dealers were quick to point out that the more recent data was too early to measure the effects of the latest rise in base rates. Consequently, many investors are content to remain on the sidelines as business volume begins to wind down ahead of Christmas and the New Year.

The key three-month interbank rate was quoted at 13¼-13⅛ p.c. against 13$\frac{5}{16}$-13¼ p.c. on Friday. Overnight money started at 12¼-12 p.c. and briefly touched 13 p.c., before coming back to 10½ p.c.

The Bank of England forecast a shortage of around £200m, with factors affecting the market including bills maturing in official hands and a take up of Treasury bills, together with repayment of any late assistance, draining £327m, and banks' balances brought forward £60m below target. In addition, a further £549m was drained through the unwinding of previous sale and repurchase agreements. These were partly offset by a fall in the note circulation of £470m.

The Bank gave assistance in the morning of £172m through outright purchases of £25m of eligible bank bills in band 3 at 12$\frac{11}{16}$ p.c. and £147m in band 4 at 12⅝ p.c. There was no further assistance in the afternoon.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

WORLD STOCK MARKETS

AUSTRIA / BELGIUM/LUXEMBOURG / DENMARK / FINLAND / FRANCE / GERMANY / ITALY / NETHERLANDS / NORWAY / SPAIN / SWEDEN / SWITZERLAND / SOUTH AFRICA / JAPAN / AUSTRALIA / HONG KONG / SINGAPORE

[illegible]

CANADA

TORONTO
2pm prices December 12

[illegible]

Sales	Stock	High	Low	Close	Chng
12800	Pegasus	$14¾	14¼	14¼	− ⅛
100	P Jewl A f	$17	17	17	
224891	Pioneer M	320	310	310	− 10
158138	Placer Dm	$16	15⅞	15⅞	− ⅛
4200	Poco Pet	$7⅜	7⅜	7⅜	
25875	Powr Cor f	$12½	12½	12½	− ⅛
3700	Powr Fin	$14⅝	14½	14⅝	+ ⅛
3181	Provigo	$11	10⅞	10⅞	
132	Que Tel	$13½	13½	13½	− ⅛
7280	Ranger	$6⅛	6	6⅛	+ ⅛
1800	Wrdair A f	$8⅝	8¼	8⅜	− ⅛
100	Wldwood	$15	15	15	
6750	Wcoast E	$15⅞	15¾	15⅞	+ ⅛
4200	Westmin	$9⅛	9⅛	9⅛	
5700	Weston	$35¼	35	35¼	+ ⅛
23887	Woodwd A	485	475	480	− 20

f—No voting rights or restricted voting rights.

INDICES

NEW YORK DOW JONES

	Dec 9	Dec 8	Dec 7	Dec 6	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2143.49	2141.71	2153.63	2149.36	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.31	89.34	89.42	89.30	91.25 (3/3)	86.12 (4/1)	—	—
Transport	951.30	943.00	947.98	946.47	951.30 (9/12)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	185.04	184.98	185.87	185.10	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2157.01 (2162.70) Low 2131.40 (2133.18)

STANDARD AND POOR'S	Dec 9	Dec 8	Dec 7	Dec 6	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	277.03	276.56	278.13	277.59	282.88 (20/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	319.06	318.46	320.54	319.85	327.53 (24/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	25.22	25.23	25.34	25.30	26.42 (20/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	155.59	155.37	156.14	155.78	159.01 (20/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	297.61	297.38	297.77	297.36	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	375.20	375.22	376.36	377.00	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Dec 2	Nov 25	Nov 18	year ago (approx.)
Dow Industrial Div. Yield	3.79	3.82	3.83	3.88
	Dec 7	Nov 30	Nov 16	year ago (approx.)
S & P Industrial div. yield	3.15	3.21	3.32	3.31
S & P Indl. P/E ratio	12.80	12.64	12.13	16.39

TRADING ACTIVITY † Volume Millions	Dec 9	Dec 8	Dec 7
New York	133.770	124.150	148.360
Amex	8.798	9.012	10.239
OTC	113.567	109.866	122.481

NEW YORK	Dec 9	Dec 8	Dec 7
Issues Traded	1,970	1,991	1,985
Rises	776	510	817
Falls	645	936	632
Unchanged	549	545	536
New Highs	30	22	38
New Lows	24	16	18

CANADA

TORONTO	Dec 9	Dec 8	Dec 7	Dec 6	1988 High	1988 Low
Metals & Minerals	3013.8	3007.1	2992.5	2978.1	3226.5 (5/7)	2238.7 (8/2)
Composite	3301.0	3307.3	3324.1	3314.3	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1649.92	1650.23	1660.77	1652.71	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Continental Illinois	9,844,800	5¼	—
RJR Nabisco	3,289,900	89⅝	− ¼
Pac G&E (xd)	3,154,600	18	− ⅛
USF&G	2,622,800	30⅞	+ ⅛
Allegheny Power	2,595,400	37¼	+ ⅛
Hong Kong	2,240,000	18⅝	—
Texaco	2,046,400	50⅛	− ⅞
SmithKline Beckman	1,787,500	50¼	− 2¼
General Electric	1,512,400	45⅞	− ⅜
Gulf States Utl	1,327,500	7⅞	− ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec. 12	Dec. 9	Dec. 8	Dec. 7	1988 High	1988 Low
AUSTRALIA All Ordinaries (1/1/80)	1469.4	1471.0	1475.7	1471.4	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	674.0	675.2	676.1	673.4	847.8 (9/8)	532.4 (10/2)
AUSTRIA Credit Aktien (30/12/84)	219.3	218.9	(c)	219.40	225.48 (4/11)	163.98 (11/2)
BELGIUM Brussels SE (1/1/84)	5414.50	5404.90	5373.50	5357.50	5414.50 (12/12)	3608.35 (4/1)
DENMARK Copenhagen SE (3/1/83)	257.62	259.17	259.76	260.35	261.07 (6/12)	180.68 (4/1)
FINLAND Unitas General (1975)	740.9	743.2	743.7	743.5	772.1 (8/8)	530.6 (15/1)
FRANCE CAC General (31/12/82)	396.8	394.2	393.9	(u)	397.2 (9/11)	251.3 (29/1)
Ind. Tendance (31/12/87)	152.9	152.4	152.1	151.9	153.4 (4/11)	89.7 (29/1)
GERMANY FAZ Aktien (31/12/58)	535.68	538.27	537.24	538.10	542.21 (27/10)	396.40 (29/1)
Commerzbank (1/12/53)	1607.7	1616.4	1611.9	1613.8	1641.6 (27/10)	1207.9 (29/1)
DAX (30/12/87)	1292.69	1301.43	1296.53	1299.57	1314.98 (28/10)	931.18 (28/1)
HONG KONG Hang Seng Bank (31/7/64)	2665.94	2671.36	2680.20	2690.28	2772.53 (12/7)	2223.56 (8/2)
ITALY Banca Com. Ital. (1972)	576.08	575.63	(c)	575.79	593.43 (9/11)	423.91 (9/2)
JAPAN** Nikkei (16/5/49)	29672.29	29793.42	29758.90	30050.82	30050.82 (7/12)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2296.15	2305.48	2302.60	2314.20	2314.20 (7/12)	1690.44 (4/1)
NETHERLANDS ANP-CBS General (1970)	277.4	277.3	277.5	278.9	285.8 (26/10)	205.7 (4/1)
ANP-CBS Industrial (1970)	244.5	244.2	244.4	246.7	252.6 (31/10)	157.9 (11/1)
NORWAY Oslo SE (4/1/83)	438.98	432.47	426.57	425.50	438.98 (12/12)	327.78 (28/1)
SINGAPORE Straits Times Ind. (30/12/66)	1001.20	1002.26	1002.84	998.99	1177.87 (8/8)	833.60 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	(u)	1365.0	1382.0	1392.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	(u)	1904.0	1904.0	1896.8	1904.0 (8/12)	1387.0 (12/2)
SPAIN Madrid SE (30/12/85)	278.09	277.00	(c)	276.64	301.63 (15/6)	225.50 (4/1)
SWEDEN Jacobson & P. (31/12/56)	(u)	3350.9	3328.5	3324.3	3350.9 (9/12)	2148.5 (4/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	591.6	589.0	586.5	585.7	591.6 (12/12)	466.6 (13/1)
WORLD M.S. Capital Intl. (1/1/70)	(u)	492.4	491.7	493.0	493.8 (6/12)	401.0 (21/1)

**Saturday Dec. 10: Japan Nikkei (c) and TSE (c)
♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday 12 December 1988

	Stocks Traded	Closing Prices	Change on day
Japan Line	38.0m	265	+19
Mitsui Eng & Shipbdg	[illegible]	[illegible]	[illegible]
Mitsui Mining & Smelting	[illegible]	[illegible]	[illegible]
Marubeni	[illegible]	[illegible]	[illegible]
Nippon Steel	[illegible]	[illegible]	[illegible]
Japan Battery	[illegible]	[illegible]	[illegible]
Sumitomo Heavy Ind	[illegible]	[illegible]	[illegible]
Kawasaki Steel	11.0m	1,050	−30
Kawasaki Kisen	[illegible]	[illegible]	[illegible]
Yamaichi Sec	[illegible]	[illegible]	[illegible]

3pm prices December 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	16	AAR	.44	1.9	16	25	23⅛	23	23	– ⅛
10⅛	8⅛	ACM n	1.01	11.		104	9	8⅞	9	+ ⅛
12⅛	10⅝	ACMIn	1.26a	12.		560	10¾	10⅝	10⅝	– ⅛
10⅛	9⅞	ACM M	n.08e	.8		233	10	9⅞	9⅞	
12⅛	10⅛	ACMSc	n1.26	12.		856	10⅝	10½	10½	+ ⅛
10⅛	8⅝	ACMSp	n1.01a	12.		1011	8⅞	8¾	8¾	– ⅛
6⅜	2⅞	AMCA	.12e	3.5		20	3⅛	3⅛	3⅛	+ ⅛
6⅛	3⅞	AM Ind				984	4⅞	4⅝	4⅝	
23¼	18⅛	AM Int pf	2	9.4		9	21⅛	21⅛	21⅛	
55	29¾	AMR			9	2842	53⅞	53½	53⅝	– ⅛
8½	5⅛	ARX			10	42	5⅞	5¾	5⅞	
54½	35¼	ASA	3a	7.8		82	38⅞	38½	38⅝	– ⅛
20¼	12⅛	AVX	.12e	.7	12	167	16½	16⅛	16½	+ ⅛
52⅛	42⅞	AbtLab	1.20	2.5	16	2600	47¾	47¼	47½	
21⅞	15⅞	AbitiPr g	1			65	16⅛	16	16	– ⅛
13⅞	7½	AcmeC	.40	5.2		21	7⅝	7¾	7¾	+ ⅛
8⅞	5⅞	AcmeE	.32b	5.3	26	3	6	6	6	+ ⅛
29½	15¼	Acuan			23	237	24¼	24⅛	24⅛	– ⅛
17	14½	AdaEx	1.82e	12.		118	15	14⅞	14⅞	
18⅞	7⅛	AMD			13	2305	7⅜	7⅛	7¼	+ ⅛
43½	28¾	AMD pf	3	10.		22	29½	29	29½	+ ¼
8½	4⅛	Adobe				117	6⅝	6½	6⅝	– ⅛
21⅞	19¼	Adob pf	2.40	12.		18	20½	20½	20½	
9¾	6⅞	Advest	.12	1.7	22	76	7	6⅞	7	
52½	39½	AetnLf	2.76	5.8	8	1476	47⅞	47½	47⅞	+ ⅛
34⅛	21⅛	AflPb s	.22	.7		1316	33⅛	32⅛	33⅛	+1⅛
18⅝	13	Ahmans	.88	5.5	9	3477	16¼	15⅞	15⅞	– ⅛
4⅝	1⅞	Aileen				4	3⅛	3⅛	3⅛	– ⅛
53⅛	33⅞	AirPrd	1.20	3.0	10	1080	40⅞	40¼	40¼	+ ⅛
19⅞	11⅞	AirbFrt	.60	3.2	19	123	19	18⅞	19	+ ⅛

Continued on Page 51

هكذا من الأصل

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
10½	8⅞	PIMIT	1.10a	12.		541	9¼	9⅛	9¼	
10⅛	9⅛	PPrIT	n1.02a	11.		1138	9⅝	9¼	9⅜	+ ⅛
6¾	3⅝	Pyro				259	6½	6⅛	6⅛	− ⅛
16¼	6	QMS				413	7⅝	7½	7¼	− ¼
1⅝	9-16	Quantel			1	207	⅝	9-16	9-16	
61½	38½	QuakrO	1.20	2.3	16	474	53⅝	53¼	53¼	
27⅛	14¼	QuakSC	.80	4.6	35	684	17⅞	16¾	16⅞	− ⅛
15⅛	4⅛	Quanex	.08e	.6	7	42	13⅝	12⅞	13½	
106¼	64	Quantm	3	3.3	7	1122	91⅞	90⅞	91½	− ½
10⅜	8⅝	QstVl	1	9.5		137	10⅝	10½	10½	+ ⅛
8⅞	6⅝	QstVC	.09			387	8½	8¼	8¼	
35⅝	28⅞	Questar	1.88	5.9	40	81	32¼	32½	32½	
14½	10⅞	QkReily	.24a	2.2	6	37	11⅛	10⅞	10⅞	− ⅛
− R − R − R −										
12⅞	4½	RBind								
94½	44	RJR Nb	2.20	2.4	16	13829	90⅞	89⅞	90⅜	+ ⅛
119½	100½	RJR pf	11.50	11.		727	105⅜	105¼	105⅜	+ ⅝
11¼	6	RLC	.20	1.8	8	41	11⅛	11	11	+ ⅛
12½	7¼	RLI Cp	.36	4.6	5	48	8	7⅞	7⅞	+ ⅛
6⅞	3⅝	RPC			18	38	5⅝	5½	5⅝	+ ⅛
31⅛	29½	Racal n				637	29⅞	29⅝	29⅞	+ ⅛
1⅞	5-16	Radice				121	7-16	⅜	⅜	− 1-16
89⅝	63	RalsPur	1.60	1.9	14	972	81⅞	80⅛	80⅞	+ 1
10¼	5¼	Ramad				365	8¼	8⅛	8⅛	
6½	4	RangrO			60	182	5	5	5	
34¼	32¼	Rayom	.32	.9	16	827	34⅞	34⅛	34⅜	+ ⅛
12½	8⅝	RJamFn	.20	2.0	10	1	10⅛	10⅛	10⅛	
21⅝	15	Raycer	2.60	13.	6	26	19½	19⅛	19½	+ ⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
− X − Y − Z −										
63	50¼	Xerox	3	5.2	10	2586	58⅜	57½	57⅞	+ ⅝
38⅝	19⅛	XTRA	.72	1.9	14	374	37½	36⅝	37	− ⅞
29⅝	19⅝	XTRA pf	1.94	6.7		254	28⅞	28¼	28⅜	− ¼
59⅞	22⅞	Yorkln			15	31	54⅜	54⅛	54⅛	− ⅛
3⅞	2¼	Zapata				2951	2⅜	d 2¼	2¼	
27½	13⅞	Zayre	.40	1.6	165	2898	25⅛	24¾	24⅞	− ⅛
15½	8¾	Zemex	.40	3.3	15	4	12	12	12	− ⅛
30	13½	ZenithE				767	18⅜	18⅛	18⅜	
10⅛	9½	Zenin n	.60a	6.2		184	9⅞	9⅝	9⅞	
3⅛	1	vjZenLb				568	1⅞	1½	1½	− ⅜
21⅝	13⅛	ZeroNt	.80b	4.8	7	30	16⅝	16⅝	16⅝	+ ¼
17⅛	13	Zero	.44	2.7	14	74	16⅜	16⅛	16⅜	
29	16⅜	Zurnin	.68	2.5	16	z102	27⅞	27½	27⅝	+ ⅛
11¼	8⅜	Zweig	1.04	10.		192	10¼	10⅛	10¼	
10⅛	9	ZweigT	n.15a	1.7		395	9⅜	9¼	9⅜	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices December 12

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
PionrSy			6	3-16	3-16	3-16	

OVER-THE-COUNTER

Nasdaq national market, 3pm prices December 12

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
AAW Bd		28	7	17	17	17	− ⅛
ADC		10	87	13	12⅞	13	+ ⅛
ASK		17	1418	14⅜	14⅛	14⅜	− ⅛
AST		6	613	7⅞	7½	7⅞	+ ⅛
Acadin		28	264	1⅛	1 9-16	1 19-32	+ 1-32
AcmeSt	.05e	9	26	23½	23½	23½	+ ⅛
AcsAtt s		25	43	17	16½	16¾	− ¼
Actmed		800	43	8¼	8	8	
Acxiom		18	148	12½	12	12	− ½
AdacLb		15	412	4⅛	4 1-16	4 1-16	− 1-16
Adapt		22	21	4⅞	4⅞	4⅞	− ⅛
Adingtn		9	5	21	21	21	
AdiaSv	.14	16	116	22⅜	22⅛	22⅜	+ ½

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Dauphn	1.36b	10	33	33	32¾	33	
DebSbp	.20	18	8821	11⅛	10⅞	11⅛	+ ⅛
Dekalb	.32		107	17⅞	16⅞	16¾	− ⅛
Delchm	.36	14	17	20½	20½	20½	− ½
DellCpt		13	715	11⅛	11	11⅛	
DepGty	1.52	8	x17	32	32	32	− ⅛
Diagnst		26	132	5⅛	5	5	− ⅛
Dibrel	1.12	9	35	31	30½	30½	− ⅛
Dicean		7	149	11⅛	10⅞	11	− ⅛
DigMic		30	1136	22⅝	22	22⅜	+ ⅜
Digtch			883	1 3-16	1 1-16	1⅛	
DimeFn	.60	10	48	12⅛	12	12⅛	+ ⅛
Dionex		19	515	24	23⅝	24	+ ⅛

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
KeyCn	s.52b	13	31	15⅛	15	15	− ⅛
KeyTrn			103	4⅜	4⅛	4⅛	− ⅛
Kimbl s	.52	11	2374	16⅞	16¼	16½	+ ⅛
Kinder	.08	12	3333	7½	7⅛	7¼	+ ⅛
KndrLr			210	6⅛	d 5⅞	6⅛	− ⅛
Kinetic		16	50	7⅞	7⅛	7⅞	+ ⅛
Kirschn		27	7	17½	17	17	
Komag		13	1852	9⅛	8⅞	9	
Kroger	.22	13	232	5⅞	5⅝	5⅞	
Kulcke		14	193	8⅞	8⅛	8⅞	+ ⅛
− L − L −							
LA Gr s		8	954	21⅞	21⅜	21⅞	− ⅛
LSI Lg		16	1120	9⅝	9⅜	9½	

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
RbtHlf s		20	408	19	18½	18¾	+ ⅛
RochCS	.36	11	174	13⅛	13⅛	13⅛	− ⅛
RevitFd	.60	5	812	u12½	12	12⅛	+ ⅛
RoseB	.16a	15	244	8⅛	7⅞	8	+ ⅛
RossStr		15	201	11	10⅞	10⅞	− ⅛
Rouse	.62	77	1348	24⅛	24	24	
RyanF		16	2839	5½	5⅛	5⅜	− ⅛
− S − S −							
SCI Sys		15	301	14	13⅞	14	+ ⅛
SEI	.05e	17	70	17½	17⅛	17⅛	− ⅛
SFFed		6	32	11⅞	11⅝	11⅝	− ⅛
SHL Sy			380	9¼	9½	9½	− ⅛
SKF AB	1.73e	13	222	62⅞	61	61⅛	− 5⅛

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
Wiliamt	1.20	7	40	45¾	45½	45¾	+ ⅛
WIIIAL		7	746	14⅜	13¾	14	− ½
WilmTr	1	11	6	28⅛	28⅛	28⅛	+ ⅛
Windm s		10	1880	17⅝	17¼	17⅜	− ⅛
Wolohn	.28	10	150	18	17⅞	17⅞	− ⅛
WolvEx			216	6½	6⅜	6⅜	− ⅛
Worthg	.44	16	283	22⅛	21⅞	22⅛	+ ⅛
Wyman	.80	14	5	14½	14½	14½	− ⅛
− X − Y − Z −							
XL Dta		18	189	27	26¾	27	+ ⅛
XOMA			33	12⅛	12½	12½	
X-Rite s		14	129	9⅛	9	9	− ⅛
Xicor		12	4227	7½	7⅛	7½	+ ⅛
Xyvsn			282	4⅞	4½	4⅞	− ⅛
YelowF	.70	20	456	32⅝	32⅛	32⅛	− ½
ZionUt	1.44		32	22½	22	22	− ⅛

AMERICA

Strong dollar and bonds lift Dow

Wall Street

THE stronger dollar and the rally in the bond market helped equities register modest gains by midsession yesterday *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average was quoted 14.40 points higher at 2,157.89 in sluggish volume of 75m shares.

This represented a fairly encouraging start to a week which sees a series of key economic indicators released as well as the regular meeting of the Federal Open Market Committee amid expectations that the central bank will vote to keep monetary policy tight amid evidence that economic growth remains robust.

Broad expectations are that the batch of economic statistics this week will show considerable strength with a strong rise in industrial production and a higher capacity usage rate. Producer prices are expected to have risen only modestly in November, partly as the inflationary impact of the drought on food prices dissipates. However, this will to some extent have been offset by higher crude oil prices.

Today retail sales figures for November are released. They are expected to show a rise of around 0.5 per cent after two months of substantial gains.

Of key importance to financial markets because of its potential impact on the dollar is tomorrow's release of October trade figures. The deficit is generally expected to be little changed from the $9bn shortfall in September.

The other two key focuses of the financial markets this week are the dollar and the FOMC meeting.

There is talk of the possibility of a rise in official interest rates in West Germany as the Bundesbank is known to be concerned about the potentially inflationary effect of its fast-growing money supply. Mr Helmut Haussmann, West Germany's new economics minister, said on Friday that the country would do everything possible to nip in the bud a possible rise in inflation.

In spite of speculation that the Bundesbank may decide to raise its key Lombard rate at its policy-making council meeting on Thursday the dollar was stable, an important factor in the rise of US stocks and bonds yesterday.

There is widespread belief that the US Federal Reserve will push Fed Funds higher over the next few weeks and may even raise the 6.5 per cent discount rate, particularly if the dollar were to come under more pressure and interest rates were to rise overseas.

The decision to push money market interest rates higher is made by the FOMC which comprises the seven members of the Fed's board and five heads of Federal Reserve regional banks. However, the decision to raise the discount rate is taken by the board.

Among featured stocks was Pillsbury which jumped $4¾ to $62⅝ after Britain's Grand Metropolitan sweetened its hostile tender offer from $60 a share to $63 a share. The offer came after the companies failed to agree terms for a friendly bid during weekend talks.

Pennwalt surged $15¼ to $98¼ after news of a $100 a share bid by Centaur Partners, the New York-based partnership, which already owns a 13 per cent stake in the company. Pennwalt declined comment.

Henley Manufacturing jumped $8 to $58 in over-the-counter trading after the company agreed to a $90 a share offer by New Hampshire Oak, owned by the chairman and president of Henley Group and Henley Manufacturing.

On the OTC market, Fortune Financial slumped $3⅝ to $24⅜ after the company said that investor Mr Alex Spanos would not go ahead with his $35 a share offer for the company and had instead made a lower bid.

Fieldcrest Cannon fell $2⅜ to $21 after the company said it would not consider selling its carpet and rug division.

TW Services added $⅜ to $25⅝. Coniston Partners said that it was holding discussions with two of TW's directors and would submit a merger proposals to the full board. It has not been able to get TW to agree to its $29 a share offer.

Canada

THE Toronto composite index showed a small gain at midday on rising base metals and industrials but the market was generally depressed by falling golds and energy issues.

The composite index strengthened 5.5 to 3,306.3 as declines outnumbered advances by 286 to 200 on light turnover of 9.6m shares.

Cambior, which said it raised its bid for Nova-Cogesco to C$1.80 from C$1.50, lost C$⅛ to C$12. In other golds, Hemlo fell C$⅜ to C$10⅞ and LAC slipped C$⅛ to C$12.

Derlan Industries, which said it had acquired Tymac Controls, slipped C$⅛ to C$11⅛. Coscan Development, which said it filed in Ontario for a previously announced issue of C$100 in debentures, was unchanged at C$10⅝.

SOUTH AFRICA

GOLD SHARES drifted slightly lower in Johannesburg as the bullion price continued to hover just above $420. The rest of the market followed the trend set by golds in subdued trading.

Vaal Reefs fell R3 to R268 and diamond stock De Beers slipped 20 cents to R42.10.

EUROPE

Rate worries undermine Frankfurt

GLOBAL interest rates cast a slight shadow on trading in hard currency markets, but elsewhere local preoccupations proved paramount, *writes Our Markets Staff.*

FRANKFURT was depressed by concern that the Bundesbank might raise the Lombard rate at its Thursday meeting and by weakness in the retail sector. Price movements were exaggerated by low volume of only DM2.23bn.

The FAZ index was off 2.59 at 535.68 at midsession and the DAX index closed 8.74 lower at 1,292.89. The FAZ is only about 7 points away from its year's high of 542.21 and this is acting as something of a barrier.

Some investors are also worried that tomorrow's US trade figures might prompt the Fed to raise the discount rate, putting pressure on the West German central bank to lift its rates to maintain differentials.

The retail sector was hit by reports that seasonal sales on the last three "long Saturdays" of full-day trading had been disappointing. Karstadt fell DM20.50 to DM381, featuring in the active list with DM58m worth of shares traded. Kaufhof lost DM16 to DM356 and Horten DM7 to DM203.

Construction stocks were supported by the belief in some quarters that these companies could win contracts in the rebuilding of the devastated earthquake zone in Soviet Armenia. Hochtief rose DM10.50 to DM592.50 and Holzmann DM13 to DM583.

PARIS see-sawed over the session, opening stronger, falling back around midday and then picking up again in afternoon trading on the back of Wall Street.

Profit-taking in last week's climbers mixed with demand for stocks with positive corporate news, keeping selected issues active. The CAC General index rose 2.6 to 396.8 and the OMF 50 index added 0.93 to 415.7.

Privatised bank Société Générale fell FFr24 to FFr691 after last week's strength on government plans to ease restrictions on hard core shareholders.

Suez, up 50 centimes at FFr 314, said it expected higher group profits this year and announced a complex restructuring involving Société Générale de Belgique, CGE and Cérus, among others. CGE dropped FFr1.90 to FFr406 on news it had sold its 3.3 per cent stake in La Générale and taken a stake in Suez. Cérus, owned by Mr Carlo De Benedetti, added FFr10.50 to FFr419.50 after predicting higher 1988 profits last Friday.

AMSTERDAM recovered from early worries about interest rates to end higher following Wall Street's firm opening. Trading was estimated by one house at a thin Fl 300m-Fl 400m. The stable dollar also helped, and the CBS all-share index ended 0.5 higher at 101.1.

Internationals saw Philips shed 50 cents to Fl 30.50, trading ex a 60-cent interim dividend. KLM rose 80 cents to Fl 42 on its sale of six Boeing 747-200s to a US leasing company.

Paper maker KNP was up Fl 1.60 at Fl 45.20 following last week's news that its earnings per share would not be diluted by its share placement to finance a stake in Austrian paper company Leykam.

MILAN remained quiet on options expiry day and analysts expected the trend to continue until the monthly account ends tomorrow. The Comit index edged up 0.45 to 576.08 in volume estimated at L100bn-L110bn.

Insurance stock La Fondiaria was active again, rising L1,510 to L73,500. One analyst said it had been popular recently because of its partial takeover with Aachener und Münchener last month of West German insurance company Volksfürsorge. Last week, German retailer Asko jumped into the fray with a plan to buy a 5 per cent stake in Volksfürsorge.

MADRID turned higher in light nervous trading. Investors bought selectively, switching to the traditionally defensive utilities sector.

The general index rose 1.09 to 278.09 amid concern over the apparently increasing acrimony between Government and trade unions over tomorrow's general strike. Any signs of pressure on wages will fuel inflation and affect the market negatively, said one analyst.

Catalana de Gas gained 12 points to 670 of par and Telefónica added 2 to 173.5. Both were sought for their good dividend yields, a safe haven when the market is downward bound, said the analyst.

BRUSSELS closed firmer in busy trading led by oil group Petrofina, which rose BFr550 to BFr13,850 with a heavy 41,000 shares dealt on speculation, later confirmed, that it had discovered oil in Thailand.

Gechem fell BFr90 to BFr690 on volume of 46,700 shares after the board moved to avoid a battle with small shareholders by offering to double the number of shares available to them under a recapitalisation plan by parent Société Générale de Belgique. FN, another such subsidiary facing restructuring, fell BFr20 to BFr700. Speculation of protracted battles at the two companies had fuelled demand in recent sessions.

STOCKHOLM eased amid news that Trelleborg was selling an option on its 10.5 per cent voting stake in SKF to the Wallenberg group's Patricia Investment company. Trelleborg's free B-shares rose SKr2 to SKr284 and SKF free Bs fell SKr16 to SKr380, having been buoyed in recent months by speculation that Trelleborg would launch a bid. The Affärsvärlden index slipped 3.2 to 991.5.

ZURICH settled further into traditionally quiet pre-Christmas trading with many fund managers having closed their books for the year. But shares gained ground, with the Crédit Suisse index up 2.3 at 516.1.

ASIA PACIFIC

Nikkei drops on renewed concern for sick Emperor

Tokyo

A FURTHER deterioration in the condition of the Emperor of Japan and an overall lack of market focus combined to dampen investor interest and depress share prices in thin trading, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average fell 121.13 at 29,672.29 after moving from a high of 29,847.83 to a low of 29,620.11. Losers outnumbered gains by 497 to 381 while 186 issues were unchanged. The Topix index of all listed shares dropped 9.33 to 2,296.15. Turnover slipped to 597m shares from the 1bn traded on Friday.

But in later trading in London the ISE/Nikkei 50 index rose 2.6 to 1,870.24.

Concern about the Emperor's illness once again cast a cloud over sentiment but the lack of market interest also stemmed from a tendency at this time of year to hold unchanged positions. Many investors prefer to keep cash while they deliberate on the market leaders for the new year, according to Mr Hiroshi Taguchi of Nomura Securities. He said that once they have a better idea of the coming favourites, trade will pick up for the last run of the year.

Another tendency of December trading is that money moves in and out very quickly as investors try to maximise their profits before the end of the year. This means that any advances can be rapidly hit by profit-taking.

The US trade figures for October, due tomorrow, were an added incentive to keep to the sidelines. Although the increase in Japanese exports suggests that US trade deficit could be on the high side of expectations, it should not have too negative an effect on Japanese equities unless it is substantially worse.

Underperformers were again in the limelight yesterday, especially shipping, fishing and mining issues. Shipping companies, which had been taken over from large capital steels as current market leaders, were chosen for their relatively low price and large capitalisation.

Japan Line, topping the most active list with 39.6m shares traded, closed up Y19 at Y685 after climbing to Y696. Kawasaki Kisen advanced to Y626 during the day but finished up Y9 at Y619 in heavy trading.

Mining companies also featured, with the continuing rise in nickel and copper prices an added boon. Mitsui Mining and Smelting, third most actively traded with 23.5m shares, rose Y9 to Y790 during the day but ended Y6 lower at Y775.

Mitsui Engineering and Shipbuilding, second in volume terms with 28.2m shares, rose Y25 to Y745.

Japan Storage Battery, also among the top 10 most heavily traded issues, gained Y130 to Y1,140. The top maker of storage batteries initially attracted attention as a car-related issue in the Mitsubishi Group around the time of the listing of Mitsubishi Motors. The continuing interest in the issue stems from speculative buying, analysts said.

Trading in Osaka was led by lagging issues which helped push the OSE average up by 29.33 to 27,965.43. Volume, however, dropped to 45.5m from the 83.2m on Friday. Nintendo, the maker of family computer games, advanced Y290 to Y9,200 on expectations that the companies' games will attract substantial interest during the Christmas season.

Roundup

THE fall in Tokyo hit sentiment and Asia Pacific markets ended mostly lower in weak turnover.

HONG KONG closed off the day's lows as speculation fixed on specific stocks, brightening up an otherwise dull day. The Hang Seng index ended 5.42 lower at 2,665.94, having fallen as low as 2,655.

There was speculation that jewellery company Tse Sui Luen planned a raid on Far East Consortium. TSL gained 2 cents to 73 cents and FEC 4 cents to 91 cents.

Scilla was suspended at HK$2.42½, up 12 cents, fuelling talk of a possible privatisation offer by Mr Bruce Judge of Australia.

Property stocks were cheered by continued rumours that the new owners of the Shui On Centre, a group of overseas Chinese investors, planned to resell the building soon. Cheung Kong was one of the more active stocks, gaining 5 cents to HK$8.10.

AUSTRALIA fell back in lacklustre trading, with the All Ordinaries index losing 1.7 to 1,469.4. About 64m shares worth A$92.9m traded hands, placing the session among the quietest of the year.

Activity was restricted by early technical problems at the exchange.

Few stocks stood out. In sectoral terms, insurances were hardest hit and banks ended mixed.

SINGAPORE was held back by Tokyo's fall and the wait for tomorrow's US trade figures and closed slightly lower amid profit-taking. The Straits Times industrial index eased 1.06 to 1,001.20.

Trading was thin, with turnover falling to 12.2m shares from Friday's 16.5m. Apollo Enterprises rose 10 cents to C$1.40 on speculative demand.

SEOUL again rose strongly, helped by talk of an improvement in relations with North Korea that could boost trade and other economic sectors. The composite index was up more than 20 points in late trading. The closing index was delayed.

Oslo rejoices at equity tax move

Karen Fossli looks at prospects for the Norwegian market

THE OSLO stock market, struggling to recover to last year's lofty pre-crash levels, has potentially been given a new lease of life by last Friday's government announcement to "suspend for 1989" a 1 per cent equity turnover tax introduced at the start of this year.

It remains to be seen how long the Government will keep the tax at bay since it says that in principle it favours the tax. Some NKr290m ($44m) will be lost in revenue next year by removing it.

Norwegian analysts seem to agree that the Government has lifted an important psychological barrier which has limited trading in Norwegian shares.

The turnover tax – equally split between buyer and seller – has not affected foreigners investing in Norwegian shares, but it has had an adverse effect on the domestic market, which is taxed. After the announcement on Friday, the Oslo index climbed to its highest level this year, closing up 6.10 at 317.45. Yesterday it rose to another high, of 321.33.

In 1987 the all-share index hit a high of 442.49 on September 29, but nearly halved after the crash to 241.76 on December 16. Oslo has been the slowest of the Scandinavian bourses to recover, after reaching a year's low of 248.68 at the end of January.

Mr Mikael Sjowall, an analyst with London-based Kleinwort Benson, is bullish about the Government's proposal. "I don't think it will be temporary," he says. "They have to do what they can to allow equity to be raised and they see that the tax just doesn't work."

Kleinwort Benson projects a 20 per cent rise in the market for next year helped by falling inflation and interest rates and good growth potential, encouraged by the upward trend of the shipping sector.

Mr Ian Clapp, an analyst with the London subsidiary of Bergen Bank, one of Norway's top three banks, believes that for 1989 Oslo has more upside potential than other European markets.

However, he says the main limitation to growth will continue to be the Government's restrictive attitude towards foreign ownership of Norwegian industry and institutions. This is especially true for the banking sector where foreign ownership is limited to 10 per cent.

In spite of the poor performance of the banks this year and last, Mr Clapp says good gains will come next year from their bond portfolios. Bergen Bank, for instance, has a NKr8.5bn bond portfolio.

Ms Mary Berg, an analyst with SBCI Savory Milln, believes the Government's lack of understanding of the securities business will continue to have a negative effect on the market, along with low oil prices. "The index over next year will depend on oil prices and if there is continued uncertainty over the oil price the scope for upside potential will also be limited," she argues.

The Government's announcement on the turnover tax came in a package of measures in the final budget proposal for 1989, intended to improve Norwegian industry's access to capital.

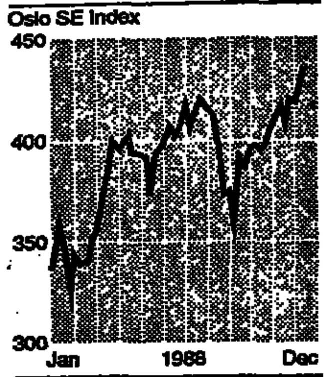
Another measure calls for the establishment of a venture capital company, Norsk Venture, to be 49 per cent government-owned and 51 per cent privately-owned.

Analysts were reluctant to give their views about the potential for Norsk Venture because few details about how it will function have yet to emerge. The Government has allotted NKr294m for its establishment and is calling for a listing on the Oslo bourse as soon as possible.

Domestically, the measures have been welcomed but the view is they stop short of curing the general lack of profitability among Norwegian companies.

Mr Gunnar Berge, the Finance Minister, says he sees scope for another reduction in interest rates by the spring. Four cuts have already been made this year, but they remain high at 12 per cent.

Norway
Oslo SE Index



FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY DECEMBER 9 1988					THURSDAY DECEMBER 8 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (90)	145.46	-0.9	116.63	111.55	4.84	146.78	117.56	111.88	152.31	91.16	93.52
Austria (18)	98.10	+0.8	78.66	88.23	2.79	97.28	77.92	88.17	100.00	83.72	92.71
Belgium (63)	134.88	+1.1	108.15	121.41	4.20	133.36	106.81	120.53	139.89	99.14	96.56
Canada (125)	121.42	-0.5	97.36	105.24	3.40	121.98	97.70	105.42	128.91	107.06	107.09
Denmark (39)	157.92	+0.3	126.62	143.37	2.11	157.48	126.13	143.93	159.19	111.42	112.74
Finland (26)	137.75	+0.0	110.45	118.29	1.42	137.69	110.28	118.53	139.83	106.78	-
France (130)	112.34	+1.3	90.08	104.41	3.11	110.91	88.84	103.48	112.34	72.77	81.52
West Germany (102)	88.26	+0.8	70.77	79.52	2.35	87.59	70.16	79.31	88.26	67.78	74.99
Hong Kong (46)	110.33	-0.4	88.47	110.57	4.67	110.79	88.74	110.95	111.86	84.90	77.34
Ireland (18)	131.59	+0.0	105.51	119.89	4.20	131.60	105.41	120.92	144.25	104.60	95.52
Italy (98)	85.04	+0.4	68.19	81.23	2.49	84.69	67.83	81.27	86.73	62.99	76.19
Japan (456)	190.81	+0.4	152.99	147.45	0.51	190.10	152.26	147.20	190.93	133.61	144.26
Malaysia (36)	142.35	-0.1	114.14	147.10	2.88	142.48	114.12	147.28	154.17	107.83	98.10
Mexico (13)	174.59	+0.2	139.99	435.61	1.17	174.20	139.53	434.63	182.24	90.07	114.61
Netherland (38)	110.44	+0.1	88.55	98.64	5.00	110.34	88.38	98.91	111.00	95.23	93.00
New Zealand (25)	65.84	-1.3	52.79	54.27	7.28	66.72	53.44	54.80	84.05	64.42	76.10
Norway (25)	131.35	+1.7	105.32	114.86	2.53	129.21	103.49	113.56	132.23	98.55	97.86
Singapore (26)	121.73	+1.7	97.60	108.83	2.49	119.66	95.84	107.03	135.89	97.99	84.31
South Africa (60)	122.90	+0.4	98.55	100.43	4.63	122.39	98.03	100.96	139.07	98.26	140.88
Spain (42)	150.08	+0.5	120.34	127.97	3.19	149.35	119.62	127.85	164.47	130.73	121.00
Sweden (35)	144.32	+1.2	115.72	128.57	2.22	142.60	114.22	127.51	144.32	96.92	93.86
Switzerland (57)	78.99	+0.4	63.33	71.54	2.37	78.71	63.04	71.51	86.75	74.13	78.49
United Kingdom (316)	134.72	-0.7	108.02	108.02	4.96	135.70	108.69	108.69	141.51	120.66	124.10
USA (577)	112.79	+0.2	90.44	112.79	3.63	112.60	90.19	112.60	115.55	99.19	95.69
Europe (1007)	114.14	+0.1	91.52	97.91	3.83	114.04	91.34	98.01	116.61	97.01	98.72
Pacific Basin (679)	185.66	+0.3	148.87	144.35	0.73	185.07	148.23	144.13	185.81	130.81	139.79
Euro-Pacific (1686)	157.03	+0.3	125.91	125.95	1.65	156.63	125.46	125.86	158.08	120.36	123.39
North America (702)	113.24	+0.1	90.80	112.34	3.62	113.09	90.58	112.17	116.07	99.78	96.30
Europe Ex. UK (691)	101.04	+0.7	81.02	91.87	2.96	100.33	80.36	91.61	101.29	80.27	82.98
Pacific Ex. Japan (223)	124.16	-0.6	99.56	105.21	4.74	124.92	100.06	105.45	128.27	87.51	85.67
World Ex. US (1884)	155.45	+0.2	124.65	125.14	1.72	155.09	124.22	125.06	156.39	120.26	123.00
World Ex. UK (2145)	139.51	+0.3	111.86	122.28	2.04	139.09	111.41	122.08	139.61	111.77	111.30
World Ex. So. Af. (2401)	139.17	+0.2	111.59	121.05	2.28	138.87	111.23	120.93	139.52	113.26	112.25
World Ex. Japan (2005)	114.16	+0.1	91.54	106.97	3.75	114.06	91.36	106.94	115.54	100.00	97.19
The World Index (2461)	139.07	+0.2	111.51	120.91	2.29	138.77	111.15	120.80	139.43	113.37	112.43

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.